



VIRGIN MONEY UK PLC

(incorporated with limited liability under the laws of England and Wales)

£350,000,000 11.000 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes

The issue price of the £350,000,000 11.000 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes (the "Notes") of Virgin Money UK PLC (the "Issuer" or the "Company") is 100 per cent. of their principal amount.

From (and including) 8 December 2023 (the "Issue Date") to (but excluding) 8 June 2029 (the "First Reset Date"), the Notes bear interest at the rate of 11.000 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Notes will bear interest at a rate which is the aggregate of the margin of 6.993 per cent. per annum and the Reset Reference Rate as provided in Condition 6(d) (*Interest – Reset Interest Rate*). **The interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date.** Subject to the conditions set out herein, interest, if any, shall be payable semi-annually in arrear on 8 June and 8 December of each year (each an "Interest Payment Date"). Payments on the Notes shall be made in pounds sterling without deduction for or on account of taxes imposed or levied by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, except in the circumstances described under "*Terms and Conditions of the Notes—Taxation*".

The Issuer may at all times elect at its full discretion to cancel (in whole or in part) interest otherwise scheduled to be paid on any Interest Payment Date. In certain circumstances, the Issuer will be required to cancel interest (or part thereof) otherwise scheduled to be paid on an Interest Payment Date. If the Issuer does not pay interest (or part thereof) on the relevant Interest Payment Date, such non-payment shall evidence the cancellation of such interest. The cancellation of interest (or part thereof) in accordance with the Conditions shall not constitute a default for any purpose on the part of the Issuer and interest payments are non-cumulative.

The Notes will be perpetual and have no fixed maturity or fixed redemption date. As a result of the fact that the Notes are perpetual notes and that the Issuer may cancel (in whole or in part) any interest payment at any time, the Issuer will not be required to make any payment of the principal amount of the Notes at any time prior to its Winding-Up (as defined herein) and Holders (as defined herein) may not receive interest on any Interest Payment Date.

The rights and claims of the Holders will be subordinated to the claims of Senior Creditors (as defined herein).

Subject to certain conditions set out in "*Terms and Conditions of the Notes—Redemption and Purchase; Substitution and Variation*", the Notes may be redeemed at the option of the Issuer in whole but not in part at their principal amount together with any Accrued Interest (as defined herein) to the extent not cancelled (i) on any date from (and including) 8 December 2028 to (and including) the First Reset Date and on any date from (and including) the date falling six months prior to any Reset Date thereafter to (and including) such Reset Date, or (ii) at any time if, as a result of purchases and subsequent cancellations, the outstanding aggregate principal amount of the Notes is less than or equal to 25 per cent. of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 18 (*Further Issues*) and consolidated with the Notes as the same series shall be deemed to have been originally issued). In addition, and subject to certain conditions set out in "*Terms and Conditions of the Notes—Redemption and Purchase; Substitution and Variation*", the Notes may be redeemed, substituted or varied at any time upon the occurrence of certain tax events due to changes to law or upon a change in the regulatory classification of the Notes that results, or would be likely to result, in the whole or any part of the principal amount of the Notes at any time being excluded from the Group's Tier 1 Capital (as defined herein) under prudential regulatory requirements, all as more particularly provided in "*Terms and Conditions of the Notes—Redemption and Purchase; Substitution and Variation*".

If a Trigger Event (as defined herein) occurs at any time, then an Automatic Conversion (as defined herein) will occur on the Conversion Date (as defined herein), at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares (as defined herein) to the Conversion Shares Depository (as defined herein) (or other relevant recipient as set out herein) on the Conversion Date at the then prevailing Conversion Price (as defined herein). Under no circumstances shall such released obligations be reinstated. The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders or the relevant recipient in accordance with the terms of the Notes). The Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer (as defined herein) be made by the Conversion Shares Depository to all or some of the Issuer's ordinary shareholders at such time. The realisable value of any Conversion Shares received by a Holder following an Automatic Conversion may be significantly less than the Conversion Price of £1.19, and Holders could lose all or part of their investment in the Notes as a result of the Automatic Conversion.

Application has been made for the Notes to be admitted to trading on the International Securities Market (the "ISM") of the London Stock Exchange plc (the "LSE") on or about the Issue Date. The Notes are a new issue of securities and have no established trading market. There can be no assurance that an active trading market in the Notes will develop, and any trading market that does develop may not be liquid. The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA") ("UK MIFIR").

The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the "FCA"). The LSE has not approved or verified the contents of these Listing Particulars. These Listing Particulars do not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA.

Pursuant to the FCA Conduct of Business Sourcebook ("COBS"), the Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK. Prospective investors are referred to the section headed "*Prohibition on marketing and sales to retail investors*" on pages 2 to 3 of these Listing Particulars for further information.

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 United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented by a global registered certificate (the "Global Certificate") registered in the name of a nominee for, and deposited with, the common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg"). Certificates in definitive certificated form ("Individual Certificates") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Summary of Provisions relating to the Notes in Global Form*".

An investment in the Notes involves risk. Prospective investors in the Notes are recommended to read these Listing Particulars, including the section entitled "*Risk Factors*" carefully. Investors should reach their own investment decision about the Notes only after consultation with their own financial and legal advisers about the risks associated with an investment in the Notes and the suitability of investing in the Notes in light of the particular characteristics and terms of the Notes, which are complex in structure and operation, and in light of each investor's particular financial circumstances.

The Notes are expected to be rated BB by Fitch Ratings Limited ("Fitch") and Ba1 by Moody's Investors Service Limited ("Moody's"). Fitch and Moody's are established in the UK and registered under Regulation (EU) No 1060/2009, as it forms part of domestic law of the UK by virtue of the EUWA (the "UK CRA Regulation"). As such, each of Fitch and Moody's is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Fitch and Moody's are not established in the European Union and have not applied for registration under Regulation (EU) No. 1060/2009 (as amended) (the "EU CRA Regulation"). The rating Fitch has given is endorsed by Fitch Ratings Ireland Limited and the rating Moody's has given is endorsed by Moody's Deutschland GmbH. Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited and Moody's Deutschland GmbH are 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>) in accordance with the EU CRA Regulation.

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.

JOINT LEAD MANAGERS

BofA Securities

Goldman Sachs International

J.P. Morgan

NatWest Markets

Dated: 6 December 2023

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IMPORTANT NOTICES

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

These Listing Particulars are to be read in conjunction with all information which is incorporated by reference herein. These Listing Particulars shall be read and construed on the basis that such information is incorporated by reference in, and forms part of, these Listing Particulars.

The Joint Lead Managers (as defined below) and the Trustee have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in these Listing Particulars or any other information provided by the Issuer in connection thereto. None of the Joint Lead Managers nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in these Listing Particulars or any other information provided by the Issuer in connection thereto. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under these Listing Particulars.

To the fullest extent permitted by law, no Joint Lead Manager nor the Trustee accepts any responsibility for the contents of these Listing Particulars, and no Joint Lead Manager nor the Trustee accepts any responsibility for any statement made, or purported to be made, by any other Joint Lead Manager or the Trustee or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Lead Manager and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of these Listing Particulars or any such statement.

No person is or has been authorised by the Issuer, the Trustee or the Joint Lead Managers to give any information or make any representation regarding the Issuer or the Notes other than as contained in these Listing Particulars or as approved for such purpose by the Issuer, the Trustee or any of the Joint Lead Managers. Any such representation or information should not be relied upon as having been authorised by the Issuer.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of these Listing Particulars.

Neither these Listing Particulars nor any other information supplied in connection with these Listing Particulars or the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation (or a statement of opinion) by the Issuer or by any of the Joint Lead Managers that any recipient of these Listing Particulars or any other information supplied in connection with these Listing Particulars or the Notes should purchase the Notes. Each investor contemplating purchasing the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

These Listing Particulars do not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of these Listing Particulars and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Neither the Issuer, the Trustee nor the Joint Lead Managers represent that these Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession these Listing Particulars or the Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of the Notes. For a description of certain restrictions on offers and sales of the Notes and on distribution of these Listing Particulars, see "*Subscription and Sale*".

The Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The Financial Services Compensation Scheme (the "**FSCS**") established under the Financial Services and Markets Act 2000 is the statutory fund of last resort for customers of authorised financial services firms, paying compensation to customers if the firm is unable, or likely to be unable, to pay certain claims (including in respect of deposits and insurance policies) made against it (together, "**Protected Liabilities**"). The Notes will not, however, be Protected Liabilities under the FSCS and, moreover, are not guaranteed or insured by any government, government agency or compensation scheme of the United Kingdom or any other jurisdiction.

The Notes form part of the regulatory capital of the Issuer. Banks are required to hold regulatory capital to absorb losses (before depositors and other senior creditors suffer losses), including during periods of financial stress. As a provider of capital to the Issuer, an investor in the Notes should be prepared to suffer losses on its investment if, in particular, the Issuer and/or the financial sector generally approaches or enters into a period of financial stress. Such losses could be manifested in a number of ways, including (without limitation) that the market price of the Notes may fall significantly, the United Kingdom authorities could take action under the Banking Act 2009 as amended from time to time (the "**Banking Act**") (or similar future legislation), or the Issuer could enter into an insolvent winding-up, with the result that investors in the Notes could lose all or substantially all of their initial investment in the Notes. Since the Notes are not protected by the FSCS, the FSCS will not pay any compensation to an investor under these, or any other, circumstances. Accordingly, an investor in the Notes may lose some, or the entire amount of, its investment in the Notes (see "*Risk Factors - Risks Relating to the Notes – Risks related to the structure of the Notes*").

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions (including the United Kingdom), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).
2. In the UK, COBS requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK. Certain of the Joint Lead Managers are required to comply with COBS.

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

- (i) it is not a retail client in the UK; and
- (ii) it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of these Listing Particulars) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

In selling or offering the Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area ("**EEA**") or the UK) relating to the promotion, offering, distribution and/or sale of

the Notes (or any beneficial interests therein), whether or not specifically mentioned in these Listing Particulars, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("**EU MiFID II**") or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

4. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

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 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, as amended ("**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 EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (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 EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK 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.

EU MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of the 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 EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer'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 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 COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration each manufacturer's target assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining each manufacturer's target market assessment) and determining appropriate distribution channels.

NOTICE TO AUSTRALIAN INVESTORS - The Issuer is neither a bank nor an authorised deposit-taking institution which is authorised under the Banking Act 1959 (Cth) of Australia (the "**Australian Banking Act**"), nor is the Issuer authorised to carry on banking business under the Australian Banking Act.

The Notes are not obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia. The Issuer is not supervised by the Australian Prudential Regulation Authority. Notes that are offered for issue or sale or transferred in, or into, Australia are offered only in circumstances that would not require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act 2001 (Cth) of Australia and issued and transferred in compliance with the terms of the exemption from compliance with section 66 of the Australian Banking Act that is available to the Issuer. Such Notes are issued or transferred in, or into, Australia in parcels of not less than A\$500,000 in aggregate principal amount. An investment in any of the Notes will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not entitle Holders to claim under the financial claims scheme under Division 2AA of the Australian Banking Act.

NOTICE TO CANADIAN INVESTORS - The Notes may be sold only to purchasers in, resident in or subject to the securities laws of the Province of Ontario, Alberta or British Columbia purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor".

The offer and sale of the Notes in Canada is being made to investors in, resident in or subject to the securities laws of the Province of Ontario, Alberta or British Columbia on a private placement basis only and is exempt from the requirement that the Issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of the Notes must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Notes outside of Canada.

Securities legislation in certain provinces or territories of Canada may provide Canadian investors with remedies for rescission or damages if an "offering memorandum" such as this document (including any amendment hereto) contains a misrepresentation, **provided that** the remedies for rescission or damages are exercised by you within the time limit prescribed by the securities legislation of your province or territory. You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal advisor.

The Issuer is not a member institution of the Canada Deposit Insurance Corporation. The liability incurred by the Issuer through the issuance and sale of the Notes is not a deposit. The Issuer is not regulated as a financial institution in Canada.

THE NOTES ARE COMPLEX FINANCIAL INSTRUMENTS

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in these Listing Particulars;
- (ii) have 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) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the potential investor's currency is not pounds sterling;
- (iv) understand thoroughly the terms of the Notes, such as the provisions governing an Automatic Conversion (including, in particular, the circumstances under which a Trigger Event may occur) and the situations in which interest payments may or shall be cancelled;

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the Notes.

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 the Notes under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in these Listing Particulars.

In these Listing Particulars, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**A\$**" are to the lawful currency of Australia, references to "**£**", "**Sterling**" or "**pounds sterling**" are to the lawful currency of the United Kingdom, references to "**U.S. dollars**", "**U.S.\$**" or "**\$**" are to the lawful currency of the United States of America, references to "**EU**" are to the European Union, references to "**EEA**" or "**European Economic Area**" are to the EU, Iceland, Norway and Liechtenstein and references to "**€**", "**EUR**", "**Euro**" and "**euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro.

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

In these Listing Particulars (other than in the section entitled "*Terms and Conditions of the Notes*"), references to (i) the "**Group**" are to the Issuer and its subsidiaries taken as a whole, (ii) "**CYBG Group**" are to the Issuer and its subsidiaries taken as a whole prior to the acquisition of VMH, (iii) "**VMH**" are to Virgin Money Holdings (UK) Limited and (iv) "**Clydesdale Bank**" or the "**Bank**" are to Clydesdale Bank PLC (trading as Virgin Money).

In addition, references to "**Resolution Authority**" means the Bank of England or any successor or replacement thereto or such other authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the recovery and/or resolution of the Issuer and/or the Group.

Certain figures included in these Listing Particulars have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

IMPORTANT INFORMATION – FORWARD-LOOKING STATEMENTS

Some of the statements in these Listing Particulars include forward-looking statements which reflect the Issuer's current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans) relating to the business of the Issuer and the Group. These forward-looking statements relate to the Group and the sectors and industries in which the Group operate. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "estimates", "will", "targets", "aims", "may", "should", "would", "could", "continue", "budget", "schedule" and similar statements of a future or forward-looking nature identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer, are inherently subject to significant business, economic and competitive uncertainties and contingencies. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results or industry results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in these Listing Particulars.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in these Listing Particulars speak only as of the date of these Listing Particulars, reflect the Issuer's current belief with respect to future events and are subject to risk relating to future events and other risks, uncertainties and assumptions relating to the Group's, operations, results of operations, growth strategy, capital and leverage ratios and liquidity. Investors should specifically consider the factors identified in these Listing Particulars which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in these Listing Particulars, including the documents incorporated by reference herein, are qualified by these cautionary statements. Specific reference is made to "*Risk Factors*" and "*Information on the Group*" below.

Subject to any obligations under applicable law or regulation, the Issuer undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, events or circumstances or otherwise. All subsequent written and oral forward-looking statements attributable to the Group, or individuals acting on behalf of the Group are expressly qualified in their entirety by this section.

INFORMATION INCORPORATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the following information:

- the audited consolidated financial statements and the independent auditor's audit report of the Issuer in respect of the year ended 30 September 2023 set out on pages 273 to 336 (inclusive) of the Issuer's 2023 Annual Report and Accounts (the "**2023 Audited Financial Statements**");
- the section entitled "*Risk report*" set out on pages 165 to 238 (inclusive) of the Issuer's 2023 Annual Report and Accounts (the "**2023 Risk Report**");
- the sections entitled "*Measuring the Group's performance*", "*Underlying adjustments to the statutory view of performance*", "*Glossary*", "*Abbreviations*" and "*Country by country reporting*" set out on pages 372 to 388 (inclusive) of the Issuer's 2023 Annual Report and Accounts (the "**2023 Financial Performance Measures**");
- the following from the sections entitled "*Chief Financial Officer's review*" and "*Overview of Group results – statutory basis*" of the Issuer's 2023 Annual Report and Accounts:
 - (a) the table headed "*Underlying costs*" on page 62 in the section entitled "*Chief Financial Officer's review*";
 - (b) the table headed "*Balance sheet*" on page 64 in the section entitled "*Chief Financial Officer's review*";
 - (c) the table headed "*Capital*" (and associated footnotes) on page 65 in the section entitled "*Chief Financial Officer's review*";
 - (d) the table headed "*CET1 capital movements*" (and associated footnotes) on page 65 in the section entitled "*Chief Financial Officer's Review*";
 - (e) the table headed "*Summary income statement – statutory basis*" on page 67 in the section entitled "*Chief Financial Officer's Review*"; and
 - (f) the paragraph and tables headed "*Reconciliation of statutory to underlying results*" on page 67 in the section entitled "*Chief Financial Officer's Review*";
- the audited consolidated financial statements and the independent auditor's audit report of the Issuer in respect of the year ended 30 September 2022 set out on pages 263 to 330 (inclusive) of the Issuer's 2022 Annual Report and Accounts (the "**2022 Audited Financial Statements**");
- the section entitled "*Risk report*" set out on pages 159 to 230 (inclusive) of the Issuer's 2022 Annual Report and Accounts (the "**2022 Risk Report**");
- the sections entitled "*Measuring the Group's performance*", "*Underlying adjustments to the statutory view of performance*", "*Glossary*", "*Abbreviations*" and "*Country by country reporting*" set out on pages 344 to 360 (inclusive) of the Issuer's 2022 Annual Report and Accounts (the "**2022 Financial Performance Measures**");
- the following from the sections entitled "*Chief Financial Officer's review*" and "*Overview of Group results – statutory basis*" of the Issuer's 2022 Annual Report and Accounts:
 - (a) the table headed "*Underlying costs*" on page 53 in the section entitled "*Chief Financial Officer's review*";
 - (b) the table headed "*Balance sheet*" on page 55 in the section entitled "*Chief Financial Officer's review*";
 - (c) the table headed "*Capital*" (and associated footnotes) on page 56 in the section entitled "*Chief Financial Officer's review*";

- (d) the table headed "*CET1 capital movements*" (and associated footnotes) on page 56 in the section entitled "*Chief Financial Officer's Review*";
 - (e) the table headed "*Summary income statement – statutory basis*" on page 58 in the section entitled "*Chief Financial Officer's Review*"; and
 - (f) the paragraph and tables headed "*Reconciliation of statutory to underlying results*" on page 58 in the section entitled "*Chief Financial Officer's Review*";
- the Virgin Money UK PLC Pillar 3 Report 2022 (the "**2022 Pillar 3 Disclosures**"); and
 - the Virgin Money UK PLC Pillar 3 Report 2023 (the "**2023 Pillar 3 Disclosures**").

Such information shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in the information which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars.

Copies of the documents listed above may be obtained (without charge) during usual business hours at the registered office of the Issuer and will also be available to view (free of charge) on the website of the Issuer (<https://www.virginmoneyukplc.com/investor-relations/>).

Those parts of the documents specified above which are not specifically incorporated by reference in these Listing Particulars should not form part of these Listing Particulars and are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in these Listing Particulars.

Unless otherwise stated in these Listing Particulars, financial information in relation to the Group referred to in these Listing Particulars has been extracted or derived without material adjustment from the 2023 Audited Financial Statements and 2022 Audited Financial Statements or has been extracted or derived from those of the Group's accounting records and its financial reporting and management systems that have been used to prepare that financial information. Investors should ensure that they read the whole of these Listing Particulars, including the information incorporated by reference herein, and not only rely on the overview or information summarised within it.

Where information has been extracted from the audited financial statements of the Group, the information is described as audited unless otherwise stated.

Certain alternative performance measures ("**APMs**") are included or referred to in these Listing Particulars (including in the information incorporated by reference). APMs are non-IFRS measures used to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuer considers that these APMs provide useful information to enhance the understanding of its financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of the components and calculation method of each such APM relating to the Issuer can be found at pages 372 to 381 of the 2023 Audited Financial Statements (which is incorporated by reference as more fully set out on pages 7 to 8 of these Listing Particulars).

OVERVIEW

This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Notes should be based on a consideration of these Listing Particulars as a whole, including the information incorporated by reference herein.

*This overview refers to certain provisions of the Terms and Conditions of the Notes (the "**Conditions**") and is qualified by the more detailed information contained elsewhere in these Listing Particulars. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in these Listing Particulars have the same meanings in this overview.*

Investing in the Notes involves significant risk. For a discussion of certain risks that should be considered in connection with an investment in the Notes, see "Risk Factors" beginning on page 18 of these Listing Particulars.

Issuer:	Virgin Money UK PLC
Trustee:	Citicorp Trustee Company Limited
Registrar:	Citibank, N.A., London Branch
Principal Paying Agent, Transfer Agent and Agent Bank:	Citibank, N.A., London Branch
Joint Lead Managers:	Goldman Sachs International, J.P. Morgan Securities plc, Merrill Lynch International and NatWest Markets Plc
Notes:	£350,000,000 11.000 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes
Issue Price:	100 per cent. of the principal amount of the Notes
Issue Date:	8 December 2023
Use of Proceeds:	The net proceeds of the issue of the Notes will be used for the general corporate purposes of the Group including down-streaming of funds to the Bank in the form of subordinated debt intended to qualify as Additional Tier 1 capital of the Bank. The Issuer will have the discretion to restructure any investment made with the proceeds at any time.
Status of the Notes:	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, ranking <i>pari passu</i> without any preference among themselves. In the event of a Winding-Up, the rights and claims of the Holders in respect of or arising from the Notes (including any damages (if payable)) will be subordinated to the claims of Senior Creditors.
Solvency Condition:	Except in a Winding-Up and subject to the right or obligation of the Issuer to cancel payments under the Conditions and the provisions on Automatic Conversion, all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Notes will be conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Notes (and any such payments will be deemed cancelled) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the " Solvency Condition ").

The Issuer shall be considered to be solvent at a particular time if (x) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (y) the Balance Sheet Condition has been met.

The "**Balance Sheet Condition**" shall be satisfied in relation to the Issuer if the value of its assets is at least equal to the value of its liabilities (taking into account its contingent and prospective liabilities), according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which the Issuer may be organised) in determining whether the Issuer is "unable to pay its debts" under Section 123(2) of the UK Insolvency Act 1986 or any amendment or re-enactment thereof (or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which the Issuer may be organised).

Ranking on a Winding-Up:

In the event of a Winding-Up, prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer, but subject as provided in the Conditions), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") ranking *pari passu* as to a return of assets on a winding-up with Parity Obligations and that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Note and any Accrued Interest (to the extent not cancelled in accordance with the Conditions) and any damages awarded for breach of any obligations in respect of such Note.

If a Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of such number of Conversion Shares as that Holder would have been entitled to receive upon an Automatic Conversion in accordance with the Conditions.

"**Senior Creditors**" means creditors of the Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a winding-up of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders in a winding-up occurring prior to the Trigger Event.

No Set-off:

Subject to applicable law, no Holder may exercise or claim or plead any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes or the Trust Deed and each Holder will, by virtue of their holding of any Note, be deemed, to the fullest extent

permitted by applicable law, to have waived all such rights of set-off, compensation, retention or netting.

Interest:

The Notes shall bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 11.000 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Notes will bear interest at a rate which is the aggregate of the margin of 6.993 per cent. and the Reset Reference Rate in respect of the Reset Period (expressed as a rate per annum) (as determined by the Agent Bank on the date falling two Business Days prior to the relevant Reset Date). Subject to the conditions set out herein, interest, if any, shall be payable semi-annually in arrear on 8 June and 8 December of each year.

Discretionary cancellation of interest:

The Issuer may at all times elect at its full discretion to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on any Interest Payment Date. See "*Non-payment of interest sufficient evidence of cancellation*", "*Notice of interest cancellation*" and "*Effect of interest cancellation*" below.

Mandatory cancellation of interest:

To the extent required to do so under the then prevailing Regulatory Capital Requirements (pursuant to Condition 6(a) (*Cancellation of interest*)), the Issuer will cancel any Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date to the extent that:

- (a) such Interest Amount (or part thereof), when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Issuer (excluding any such interest payments or distributions which are not required to be paid or made out of Distributable Items or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date;
- (b) such Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date if and to the extent that such Interest Amount (or part thereof) would cause, when aggregated together with other distributions of the kind referred to in Rule 4.3(2) of chapter 4 ("**Chapter 4**") of the "*CRR Firms – Capital Buffers*" part of the PRA Rulebook (or any succeeding provision amending or replacing such rule), the Maximum Distributable Amount (if any) then applicable to the Group (as defined in the Conditions) to be exceeded.

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Group required to be calculated in accordance with Chapter 4 (or any succeeding Regulatory Capital Requirements amending or replacing such chapter); or
- (c) the Solvency Condition is not satisfied in respect of such Interest Amount (or part thereof).

Non-payment of interest sufficient evidence of cancellation

If the Issuer does not pay an Interest Amount (or part thereof) on the relevant Interest Payment Date, such non-payment shall evidence the cancellation of such Interest Amount in accordance with the Conditions,

and accordingly such Interest Amount shall not in any such case be due and payable.

Notice of interest cancellation:	The Issuer shall provide notice of any cancellation of an Interest Amount (or part thereof) to the Holders, the Trustee and the Agents as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Any failure to provide such notice shall not affect the cancellation of any Interest Amount (or any part thereof) by the Issuer and shall not constitute a default for any purpose.
Effect of interest cancellation:	The non-payment or cancellation of any Interest Amount (or any part thereof) in accordance with the Conditions shall not constitute a default for any purpose on the part of the Issuer. For the avoidance of doubt, interest payments are non-cumulative and Holders shall have no right to any cancelled Interest Amount.
Form and Denomination:	The Notes will be issued in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented by a Global Certificate registered in the name of a nominee for, and deposited with, the common depository for Euroclear and Clearstream, Luxembourg (together, the " Clearing Systems "). Individual Certificates in definitive form evidencing holdings of Notes will only be available in certain limited circumstances – see " <i>Summary of Provisions relating to the Notes in Global Form</i> ".
Perpetual Notes:	The Notes will be perpetual notes and have no fixed maturity or fixed redemption date.
Optional Redemption:	Subject to having obtained Supervisory Permission and compliance with the Regulatory Preconditions, the Notes may be redeemed at the option of the Issuer on any date from (and including) 8 December 2028 to (and including) the First Reset Date and on any date from (and including) the date falling six months prior to any Reset Date thereafter to (and including) such Reset Date in whole but not in part, at an amount equal to their principal amount together with any Accrued Interest to the extent not cancelled.
Tax Redemption:	Subject to having obtained Supervisory Permission and compliance with the Regulatory Preconditions, if at any time a Tax Event occurs, the Issuer may redeem the Notes in whole, but not in part, at any time at an amount equal to their principal amount, together with any Accrued Interest to the extent not cancelled, as more fully provided in Condition 8 (<i>Redemption and Purchase; Substitution and Variation</i>).
Regulatory Event Redemption:	Subject to having obtained Supervisory Permission and compliance with the Regulatory Preconditions, if at any time a Regulatory Event occurs, the Issuer may redeem the Notes in whole, but not in part, at an amount equal to their principal amount together with any Accrued Interest to the extent not cancelled, as more fully provided in Condition 8 (<i>Redemption and Purchase; Substitution and Variation</i>).
Residual Call:	Subject to having obtained Supervisory Permission and compliance with the Regulatory Preconditions, if at any time the outstanding aggregate principal amount of the Notes is less than or equal to 25 per cent. of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 18 (<i>Further Issues</i>) and consolidated with the Notes as the same series shall be deemed to have been originally issued), the Issuer may, in its sole discretion redeem all (but not some only) of the remaining outstanding Notes at their principal amount together with any

Accrued Interest, as more fully provided in Condition 8 (*Redemption and Purchase; Substitution and Variation*).

Notice of Redemption:

Any redemption of the Notes shall be subject to the Issuer providing not less than 15 calendar days' nor more than 30 calendar days' prior notice to the Holders, the Trustee and the Agents (which notice shall, except in the limited circumstances described in the following paragraph, be irrevocable). The Issuer shall not be entitled to deliver a notice of redemption after an Automatic Conversion Notice has been delivered.

If the Issuer has elected to purchase, redeem, substitute or vary the terms of the Notes but (i) prior to the purchase, redemption, substitution or variation (as applicable) a Trigger Event occurs or (ii) in the case of a purchase or redemption, the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for purchase or redemption, the relevant redemption, substitution or variation notice (as applicable) or, as the case may be, the relevant purchase agreement shall be automatically rescinded and shall be of no force and effect and no payment of any purchase or redemption amount will be due and payable or no substitution or variation shall occur (as the case may be). The Issuer shall give notice thereof to the Holders, the Trustee and the Agents as soon as practicable. Any failure to provide such notice shall not have any impact on the effectiveness of, or otherwise invalidate, any such rescission and in the case of (i) above, the Automatic Conversion shall occur in accordance with Condition 9 (*Automatic Conversion*) as described under "*Automatic Conversion on a Trigger Event*" below.

Purchases:

The Issuer or any of its Subsidiaries may, at its option but subject to the Solvency Condition and Supervisory Permission, at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, cancelled.

Substitution and Variation:

If a Regulatory Event or a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8(h) (*Conditions to purchase, redemption, substitution and variation*) and having given not less than 15 nor more than 30 days' notice to the Trustee, the Agents and the Holders, but without any requirement for the consent or approval of the Holders, at any time 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, Qualifying Additional Tier 1 Securities, as more fully provided in Condition 8 (*Redemption and Purchase; Substitution and Variation*).

Trigger Event:

A "**Trigger Event**" shall occur if the Common Equity Tier 1 Capital Ratio of the Group (as defined in the Conditions) falls below 7.00 per cent.

Conversion Price:

The Conversion Price of the Notes will be £1.19 per Conversion Share, subject to adjustment in accordance with certain anti-dilution adjustments (the "**Conversion Price**").

Automatic Conversion on a Trigger Event:

If a Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes) on the Conversion Date at the then prevailing Conversion Price. Under no circumstances shall

such released obligations be reinstated. The Automatic Conversion shall occur without delay upon the occurrence of a Trigger Event and by no later than one month following such Trigger Event (or such shorter period as the Competent Authority may then require).

Whether a Trigger Event has occurred shall be determined by the Issuer or the Competent Authority and such determination shall be binding on Holders.

The Issuer shall immediately notify the Competent Authority of the occurrence of the Trigger Event and shall deliver an Automatic Conversion Notice to the Holders, the Trustee and the Agents without delay after such time.

The Notes will not be convertible into Conversion Shares at the option of the Holders at any time.

Consequences of Automatic Conversion:

Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Notes or the payment of interest or any other amount on or in respect of such Notes, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Notes shall equal zero at all times thereafter. Any Interest Amount in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of such Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as applicable) on the Conversion Date, the Notes shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Holder's right to receive Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made as described under "*Conversion Shares Offer*" below, Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or such other relevant recipient).

The Issuer currently expects that beneficial interests in the Notes will be transferable until the Suspension Date and that any trades in the Notes would clear and settle through the Clearing Systems until such date. However, there is no guarantee that an active trading market will exist for the Notes following the Automatic Conversion. The Notes may cease to be admitted to listing on the ISM before or after the Suspension Date.

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated above) in accordance with the Conditions, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or of any Conversion Shares Offer Consideration to which such Holders are entitled.

Conversion Shares:

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient in accordance with the Conditions, and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the

conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Conversion Date shall be determined by the Issuer by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Holder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate amount of the Authorised Denomination of the Notes held by such Holder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.

Conversion Shares Offer:

No later than 10 Business Days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depositary make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided in Condition 9(d) (*Automatic Conversion—Conversion Share Offer*) (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer will deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders within 10 Business Days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 Business Days after the giving by the Issuer of the Conversion Shares Offer Notice.

The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three Business Days' notice to the Trustee directly and to the Holders, and, if it does so, the Issuer may, in its sole and absolute discretion, take steps (including changing the Suspension Date) to deliver to Holders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.

Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depositary will provide notice to the Trustee and the Holders of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if

at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable.

- Settlement Procedures:** The Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to Holders pursuant to Condition 9(e) (*Automatic Conversion—Settlement Procedure*).
- Defaults and Enforcement:** The remedies under the Notes will be more limited than those typically available to unsubordinated creditors. The sole remedy against the Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Notes will be, subject to certain conditions, for the Trustee to institute proceedings in England (or such other jurisdiction in which the Issuer may be organised) (but not elsewhere) for the winding-up of the Issuer and/or to prove and/or to claim in a Winding-Up. The Notes will only be capable of being accelerated upon the occurrence of a Winding-Up Event.
- Rating:** The Notes are expected to be rated BB by Fitch and Ba1 by Moody's. Moody's and Fitch are established in the UK and registered under the UK CRA Regulation. As such, each of Fitch and Moody's is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Fitch and Moody's are not established in the European Union and have not applied for registration under the EU CRA Regulation. The rating Fitch has given is endorsed by Fitch Ratings Ireland Limited and the rating Moody's has given is endorsed by Moody's Deutschland GmbH. Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited and Moody's Deutschland GmbH are included in the list of credit rating agencies published by ESMA on its website (at <http://www.esma.europa.eu>) in accordance with the EU CRA Regulation.
- Taxation:** All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts in respect of any interest on the Notes (but not, for the avoidance of doubt, in respect of the payment of any principal in respect of the Notes) as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 11 (*Taxation*).
- Governing Law:** The Notes, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them will be governed by English law.
- Listing and Trading:** Application has been made for the Notes to be admitted to trading on the ISM. The Notes may cease to be admitted to trading on the ISM before or after the Suspension Date.
- Clearing Systems:** Euroclear and Clearstream, Luxembourg
- ISIN:** XS2718145779

Common Code:	271814577
CFI:	DBFXPR
FISN:	VIRGIN MONEY UK/0 BD PERP REGS
Issuer Legal Entity Identifier (LEI):	213800ZK9VGCYYR6O495

RISK FACTORS

Prospective investors should consider carefully the risks set forth and referred to below and the other information contained in these Listing Particulars (including any information incorporated by reference herein) prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the Issuer's and/or the Group's business, operations, financial condition or prospects and, the industry in which they operate which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer and the Group face, many of which relate to events and depend on circumstances that may or may not occur in the future. The Issuer has described only those risks relating to its operations that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in these Listing Particulars have the same meanings in this Risk Factors section.

A. RISKS RELATING TO THE GROUP

1. Credit Risk

1.1 *The Group is subject to risks associated with customer and counterparty non-performance*

Credit risk is the risk of loss of principal or interest stemming from a borrower's failure to meet contractual obligations to the Group in accordance with the terms agreed. The Group has exposures to many different products, counterparties and obligors whose credit quality can have a significant adverse impact on the Group's business, results of operations, financial condition and prospects. Retail and business lending activities account for most of the Group's credit risk. Mortgage lending comprises the bulk of the Group's customer loan portfolio, with business loans and unsecured personal lending (including credit cards, personal loans and overdrafts) comprising the balance.

Other sources of credit risk include but are not limited to the extension of credit commitments and guarantees, the holding of investments for liquidity purposes (including UK gilts), inter-bank transactions, letters of credit and trade financing, derivative transactions entered into for hedging purposes, foreign exchange transactions, placing of deposits, acceptances and the settlement of transactions.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This exposes the Group to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. A deterioration in the economic conditions in the UK could have an adverse impact on the Group's financial performance and position. Other factors that could have an adverse impact include further financial market dislocation, which could lead to falling confidence, increasing refinancing risk and contagion risk amongst market participants, counterparties and customers.

In the ordinary course of its operations, the Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

Further, there is a risk that, despite the Group's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic factors or other external factors. The failure

of customers to meet their commitments as they fall due may result in higher impairment charges or a negative impact on fair value in the Group's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.2 ***The Group may face risks relating to the level of provision required in respect of its credit exposures***

Collectively assessed provisioning for the Group's credit exposures is based on the probability that the customer defaults on the loan (the "**Probability of Default**" or "**PD**"), the level of exposure at default the customer has (the "**EAD**"), and the amount the Group expects to be irrecoverable from that customer (the "**Loss given Default**" or "**LGD**"). The modelled collective assessment also considers factors such as credit quality; levels of arrears; credit utilisation; loan to collateral ratios; and other factors including the Group's internal customer rating system. These characteristics are indicative of the borrower's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Regular assessment takes place to determine which of the Group's assets have deteriorated significantly since origination; those assets so deteriorating attract a more punitive lifetime loss allowance.

Estimating the Group's collectively and individually assessed provisions requires the Group's directors to exercise a significant amount of judgement, and incorporates the use of assumptions, the most significant of which are the PD and LGD assumptions used in the Group's collective modelling process, which are informed by a range of forward-looking economic scenarios and the identification and judgements made in respect of loan files subject to individual assessment. The use of judgements, including Post Model Adjustments (PMAs) and supportable estimates is considered by management to be an essential part of the credit impairment process. This credit impairment process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions and individual customer circumstances or trading performance (in the case of business customers) might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

1.3 ***The Group faces risk from the impact of climate change***

The Group is exposed to physical and transition risks arising from climate change. Physical risks from climate change arise from a number of factors and relate to specific climate and weather-related events and longer-term shifts in the climate such as heatwaves, droughts, floods, storms, sea level rise, coastal erosion and subsidence. 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. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Group's portfolios and financial losses for the Group. In addition, the Group's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Group.

Transition risks arise from the process of adjustment towards a low-carbon economy. As the economy transitions to a low-carbon economy, financial institutions, including the Group, may face significant and rapid developments in, policy, law and regulation, technology and sentiment, which could prompt a reassessment of the value of a large range of assets of the Group and create credit exposures for the Group and other lenders as costs and opportunities become apparent. As sentiment towards climate change shifts and societal preferences change, the Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage from a failure to meet the changing societal, customer, or investor demands as well as failure to comply with governmental and regulatory requirements. This may in turn impact customer demand for the Group's products, returns on certain business activities, cost of funding and the value of certain assets resulting in impairment charges.

If the Group does not adequately embed risks associated with climate change into its risk framework to appropriately identify, 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, it may have a material and adverse impact on the Group's trading performance, financial condition, competitiveness, results of operations and prospects.

2. **Business and Economic Risks**

2.1 *Risks relating to the impacts of inflation and cost of living pressures*

The widespread and rapid increase in the cost of living across the UK has the potential to significantly impact the short to medium term performance of the Group's credit. In the current environment, with high inflation and rising costs for business and retail customers alike, the Group considers that there is likely to be a heightened risk relative to customers' resilience and debt affordability.

The Group's customers are impacted by both domestic and global economic conditions (see "*Risks arising from macro-economic conditions in the UK or globally*"). Recent bank rate increases, concerns over energy prices and the headwinds from higher inflation, will all have an impact on household incomes.

This level of market volatility could potentially result in a heightened level of customer stress leading to default, which in turn could lead to material arrears and credit losses. There is also a risk to the Group's portfolio growth aspirations should consumer confidence deteriorate, or affordability pressures heighten. This has the potential to negatively impact the Group's performance.

Although the Group is working to support customers during the increases in the cost of living, additional capital may be required by the Group to absorb the heightened levels of credit risk and any increase in impairment levels over time as a result of the current cost of living crisis, which could have a material adverse impact on the Group's business and financial condition.

2.2 *The Group is subject to risks arising from macro-economic conditions in the UK or globally*

The Group's business is subject to inherent risks arising from macro-economic conditions in the UK and their potential impact on customers and businesses (including vulnerable customers). In particular, levels of retail and business affordability are heavily dependent on consumer confidence, the UK property and mortgage market, unemployment trends, the level of inflation, including energy price inflation, market interest rates and the broader state of the UK economy.

The evolution of the geo-political environment including the conflicts in Ukraine and the Middle East could affect the future performance of the UK economy and subsequently the banking industry and may have a material impact on the business performance of the Group. The extent to which any individual event or a combination of these events will have an impact on the performance of the economy will evolve over the medium term.

As the Group's customer base is predominantly based in the UK, it will be significantly exposed to the condition of the UK economy. In particular, factors such as UK house prices, levels of employment, inflation, interest rates, supply chain issues and change in consumers' disposable income can each have a material impact on customers. Should macro-economic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely impact the Group's business, results of operations, financial condition and prospects.

The Group's operations are focussed in its core regions in the UK, including Scotland. These operations could be adversely affected by a lack of legal harmonisation across the UK, including through the further devolution of powers to the Scottish Parliament or departure of Scotland from the UK (see "*Risks in relation to the UK's exit from the EU and constitutional issues*" below). For example, differences in regulatory regimes or differing tax legislation between Scotland and England may result in additional compliance and other costs for the Group or adversely impact the financial performance and prospects of its customers.

In addition, changes in global economic conditions or circumstances (in particular in the Eurozone) may have secondary consequences that adversely impact the Group's results of operations and financial condition. The Bank of England (the "BoE"), alongside other central banks, has increased interest rates from historical lows, to levels closer to historical norms in order to manage inflation back to target levels. Market participants, who may take on or have taken on more risk than they expected in a "search for yield", may have been exposed to an earlier or more rapid than expected tightening in monetary policy (for further information, see the risk factor entitled "*The Group is subject to risks associated with interest rate levels and volatility*" below).

In addition, volatility in credit, currency and equity markets globally may result in uncertainty that could affect all banks, including the Group and may lead to, the following (amongst other factors):

- (a) increased cost of funding and/or reduced availability of funding;
- (b) deterioration in the value and liquidity of assets (including collateral);
- (c) inability to price or difficulty in pricing certain assets;
- (d) higher provisions for bad and doubtful debts;
- (e) an increased likelihood of customer and counterparty default and credit losses;
- (f) mark-to-market losses in the value of assets and liabilities;
- (g) economic exposures from hedging activities;
- (h) increased cost of insurance and/or lack of available insurance;
- (i) fluctuations in pension scheme valuations that may affect the Group; and
- (j) lower growth, business revenues and earnings.

The historical results of operations and financial condition of the Group have been, and future results of operations and financial condition are likely to continue to be, affected by these factors, which should they have an adverse effect on consumer confidence, spending or demand for credit, could have a material adverse effect on the Group's business, capital position, financial condition, results of operations and prospects.

2.3 ***Concentration of credit risk could increase the Group's potential for significant losses***

Substantially all of the Group's assets and business is related to customers in the UK and, in the case of mortgages, are distributed across the UK, with higher concentrations in Greater London and the South East of England. Each geographic region within the United Kingdom has different economic features and prospects. Any downturn in a local economy or particular industry may adversely affect regional employment levels and consequently the repayment ability of borrowers in respect of mortgage or other loans in a region that relies to a greater extent on that industry. In the event of adverse economic conditions, including higher interest rates and levels of unemployment, in regions within the UK where the Group has significant business or assets, concentrations of credit risk could cause it to experience greater losses than some competitors.

In addition, the Group faces concentration risks including those relating to its agricultural lending. The Group could be disproportionately impacted compared to some competitors by a deterioration of market conditions in the agricultural sector due to, for example, shortage of labour, adverse seasonal weather patterns, falling land prices, global oversupply and volatility in commodity markets, changes in government policy such as reductions to farming subsidies during the seven-year transition period for subsidies from 2021 following the UK's withdrawal from the EU, dairy price pressure reducing the profitability of dairy producers or an outbreak of livestock disease such as foot and mouth disease. While the Group regularly monitors its credit portfolios to assess potential concentration risk, efforts to divest, diversify or manage the Group's credit portfolio against concentration risks may not be successful. Concentration of credit risk could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

2.4 ***The Group is subject to risks associated with interest rate levels and volatility.***

Interest rates, which are impacted by factors outside of the Group'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 Group's results of operations, financial condition and return on capital in three principal areas: cost and availability of funding, impairment levels and net interest income and margins.

Firstly, interest rates affect the cost and availability of the principal sources of the Group's funding, which is largely provided by customer deposits (in the form of personal current accounts ("PCAs"), business current accounts ("BCAs") and savings accounts) and wholesale funding from the capital markets, in the form of residential mortgage backed securities ("RMBS"), covered bonds and senior debt. The sustained low interest rate environment in recent years has resulted in the Group's absolute cost of funding remaining relatively low by historical standards, by reducing the interest payable on customer deposits. However as interest rates rise in response to increased inflationary pressures, customers may increasingly transfer PCA and BCA balances, as well as other deposit balances, to higher rate products, which could result in increased interest expense and/or reduced deposit volumes for the Group.

The Group raises funding from a number of wholesale sources, including secured funding through RMBS and covered bond programmes and senior debt from its global medium term note programme. Any significant increase in interest rates could have a material adverse impact on the availability and interest cost of such funding.

Secondly, interest rates impact the Group's impairment levels, particularly because (if passed on to customers) they affect customer affordability of mortgages, as well as the ability of individuals and businesses to borrow and service loans. Customers may look to stop paying on credit cards and personal loans in the first instance in order to continue to meet mortgage commitments, impacting these products as well as mortgages. An increase in interest rates, without a comparable increase in customer income or business revenues and profits, could, for example, lead to an increase in default rates among customers who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group. A high interest rate environment may also reduce demand for mortgages and other loans generally, as individuals and business customers may be less likely or less able to borrow when interest rates are high. A high interest rate environment may result in other forms of financing, such as equity capital for businesses, becoming more attractive, thereby reducing the Group's lending and related income. In a low interest rate environment, there is a risk that borrowers at early levels of financial distress will not be identified in a timely manner, as they may continue to be able to service their loans, which may contribute to higher impairment levels in the future. This may be exacerbated when interest rates change frequently. The Bank is a signatory to the UK Government mortgage charter announced by the chancellor of the exchequer on 23 June 2023 to support regulated residential mortgage borrowers impacted by higher mortgage interest rates, in particular borrowers whose existing fixed rate deal is due to end in the immediate future.

Thirdly, interest rates affect the Group's net interest income and margins. Over the last few years, the sustained period of low interest rates resulted in lower returns on low interest bearing and non-interest bearing current accounts and capital, reducing the Group's net interest income and net interest margin. Even though interest rates have now increased from historically low levels, performance and net interest income and margin could be adversely affected by a low interest rate environment in the future.

In addition, in the event of sudden, large or frequent increases in interest rates, such as a result of strong inflationary pressures, the Group may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which may negatively affect its net interest income and net interest margin.

Moreover, the Group's variable rate savings accounts and other floating rate liabilities expose the Group to the risk of increased costs when interest rates increase. In an increasing interest rate environment, the Group may also be more exposed to re-pricing of its liabilities than competitors with a lower proportion of variable rate deposits or other liabilities.

If the Group is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing, monitoring of borrower credit quality or other means, such volatility could have a material adverse effect on its business, financial condition, results of operations and prospects.

2.5 *Risks in relation to the UK's exit from the EU and constitutional issues*

The UK left the European Union ("EU") on 31 January 2020 and a free trade agreement with the EU, known as the UK-EU Trade and Cooperation Agreement (the "TCA") came into effect on 31 December 2020 (the implementation period completion day, or "IP completion day"). The TCA is principally a free trade agreement in goods. It does not address in any detail a number of areas, including the cross-border provision of services, the passporting of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on IP completion day, the UK incorporated into its law (i.e. grandfathered) the majority of EU law as it stood at IP completion day ("**EU retained law**").

Notwithstanding the conclusion of the TCA by the EU and the UK, and the on-shoring by the UK of EU retained law, there remain significant uncertainties with regard to the economic outlook of the UK and there are likely to be changes in the legal rights and obligations of commercial parties across all industries, particularly in the services sector (including financial services) following the UK's exit from the EU. If any of these risks materialise, they could have a material adverse effect on the Group's business, prospects or results of operations.

The UK's exit from the EU has also increased constitutional tension within the UK. The majority of voters in both Scotland and Northern Ireland voted to remain in the EU. Leading political figures in Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. Following a pro-independence majority in the Scottish parliamentary elections in May 2021, the First Minister of Scotland indicated an intention to hold a second independence referendum in October 2023. However in November 2022 the Supreme Court ruled that the Scottish Parliament did not have the power to hold such a referendum without the consent of the UK Parliament. The Issuer cannot predict the outcome of this continuing constitutional tension or how a future departure of Scotland and/or Northern Ireland from the UK might affect the Group's business, prospects and results of operations.

In particular, whilst the Issuer is headquartered and incorporated in England and Wales as at the date of these Listing Particulars, the Bank is headquartered and incorporated in Scotland. A future departure of Scotland from the UK would impact the fiscal, monetary and regulatory landscape to which the Group is subject. While the operational consequences of independence remain uncertain, it could (i) result in changes to the economic climate in Scotland and political and policy developments, (ii) have an impact on Scots law, regulation accounting or administrative practice in Scotland, and/or (iii) result in Scotland not continuing to use pounds sterling as its base currency, which could have a material adverse effect on the Group's business, prospects and results of operations.

Risks and uncertainties associated with a departure of Scotland from the UK could materialise both before any referendum for independence takes place and, in addition, in the case of a vote for independence, after the referendum but before independence. The final negotiated terms of independence, as well as the risks and uncertainty created, could have an adverse impact on the Group's business and financial performance more generally.

In addition, following the UK's withdrawal from the EU, future UK political developments and/or any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject and also therefore its financing availability and terms. Consequently, no assurance can be given that the Group's operating results, financial condition and prospects would not be adversely impacted as a result.

Although the Group is a UK regulated, ring-fenced bank, no assurance can be given that any of the matters outlined above would not affect the Notes and/or the market value and/or liquidity of the Notes in the secondary market.

2.6 ***The Group could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties***

Given the high level of interdependence between financial institutions, the Group is and will be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of its 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 Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, industry payment systems, clearing houses, banks, securities firms and exchanges with whom the Group interacts on a daily basis. Systemic risk could therefore have a material adverse effect on the Group's ability to raise new funding and on its business, financial condition, results of operations and prospects.

The Group routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other institutional counterparties, resulting in large daily settlement amounts that may give rise to significant credit exposure. In particular, the Group interacts with these financial institutions through a variety of interbank electronic payments systems that underpin clearing and settlement amongst financial institutions. As a result, the Group faces concentration risk with respect to specific counterparties including payment system participants and operators. In addition, the Group has counterparty and operational risk with LCH. Clearnet Limited that acts as a clearing provider, on an arm's-length basis, for central clearing of derivative transactions. A default by, or concerns about, the creditworthiness of these companies or one or more other financial services institutions could therefore have a material adverse effect on the Group's ability to raise new funding, financial condition, results of operations, liquidity or business prospects.

2.7 ***The Group faces risks associated with executing its strategy***

A failure to achieve its strategic priorities and sustainability objectives would have an adverse impact on the Group's ability to attract and retain customers, its reputation and its business, results of operations, financial condition and prospects, which in turn could have an adverse impact on the price of the Notes in the secondary market.

Risks associated with the Group's strategy to drive growth in its loan portfolio and deposit base

In seeking to grow its mortgage, business lending and unsecured personal lending books, the Group is susceptible to the risk of reduced asset quality and increased impairment losses in its customer loan portfolio due to it broadening its target market or loosening its underwriting or lending criteria in order to attract additional customers or applying a broader interpretation of existing underwriting or lending criteria. The Group is also subject to the risk of increased competition, including competition based on price, in seeking to grow its customer loan portfolio, which could adversely affect the Group's net interest margin and returns. Furthermore, banks seeking growth through increased lending volumes may also incur higher impairments and increased conduct risks, in particular those relating to the mis-selling of products or lending that is deemed irresponsible and/or services that are either poorly matched with, or superfluous to, customer needs. If the Group fails to manage these risks adequately, it could result in legal or regulatory action against the Group, reputational damage to its brands and adverse impacts on the implementation of its medium-term growth strategy.

The Group's continued ability to maintain and grow its customer loan portfolio depends on continued access to customer deposits and other sources of funding in quantities sufficient to finance and refinance the portfolio at costs that the Group considers to be commercially acceptable. A key component of the Group's medium-term growth strategy is to grow its retail and business deposits, and in particular to increase the volume of new PCA and BCA accounts, in order to fund the growth of its business and maintain the loans-to-customer deposits ratio ("**LDR**") at its targeted level. Access to customer deposits is subject to competition and market factors that are outside of the Group's control, and accordingly it may need to increase the interest rates it offers to customers

in order to attract deposits, which may result in increased interest expense, reduced net interest income and reduced net interest margin. The Group may not be able to obtain and maintain access to sufficient customer deposits, or other sources of funding at costs which are commercially acceptable, to finance its planned medium-term growth.

Risks associated with the Group's digital strategy

A core part of the Group's medium-term growth strategy is strengthening its digital platform to support the delivery of a consistent and seamless experience for customers through the Group's multi-channel distribution platform, creating new digital propositions to support new customer acquisition and customer retention and simplifying its operating platform to drive efficiency, process simplification and customer acquisition. If the Group fails to successfully execute this strategy, fails to invest sufficiently, fails to invest to the same extent as its competitors, fails to invest in appropriate technologies or customers (in particular business customers), or fails to adopt the high-tech, light touch service model that the Group's medium-term growth strategy anticipates, the Group's business, results of operations, financial condition and prospects could be materially adversely affected. The Group also may be required to make further expenditure or investments (such as marketing, customer incentives or pricing changes) to achieve its strategic targets. Further innovation by competitors, for example through "digital disruption" of existing product or service markets causing changes in consumer demands and behaviours, or other changes in consumer behaviour, may require it to adapt its plans and/or revise its strategy, causing delay in its implementation or resulting in additional costs. There is a risk that the execution of the Group's digital strategy will increase the demands on its existing on-boarding, monitoring and screening IT systems. The failure of any of these IT systems to meet such increased requirements could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Any failure to successfully implement its digital strategy, delay in such implementation or failure to keep pace with further changes in the industry could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*" below), or a significant operational or technology failure, may adversely affect the execution of the Group's digital strategy, which could lead to a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Execution and other risks associated with the Group's medium-term growth strategy

The Group's ability to implement its medium-term growth strategy and any future strategy successfully is subject to execution risks, including those relating to the management of its cost base and limitations in its management and operational capacity. The implementation of its medium-term growth strategy will require management to make complex judgements, including anticipating customer needs and customer behaviour across a wide range of retail and business banking products, and anticipating competitor activity, legal and regulatory changes and the likely direction of a number of macro-economic factors regarding the UK economy and the retail and business banking sector. In addition, the Group may fail to achieve management's guidance, targets or expectations in respect of the Group's net interest margin, operating and administrative expenses, standalone costs as a listed entity, return on tangible equity, dividends, growth in mortgage lending, total retail lending and/or business lending, growth in mortgage market share, business lending market share, PCA market share and/or BCA market share, or in the development of the Group's asset quality, cost-to-income, CET1 capital and/or LDR, or other financial or key performance indicators.

The risk that some or all of these targets and expectations may fail to be achieved may be a consequence of internal factors such as a failure to effectively manage its cost base. The risk may also be exacerbated or caused by a number of external factors, including a downturn in the UK, European or global economy, increased competition in the UK retail and small and medium-sized enterprises ("SMEs") banking sector and/or significant or unexpected changes in the regulation of the financial services sector in the UK or Europe or in relation to the payment of dividends. A failure to successfully manage the implementation of its medium-term growth strategy for the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

2.8 *The Group will be subject to risks related to volatility in UK house prices*

The Group's primary activity is providing banking services to retail customers and to businesses, including mortgage lending in the UK secured against residential property. The value of that security is influenced by UK house prices. A substantial proportion of the Group's net interest income is derived from interest paid on its mortgage portfolio. Any deterioration in the quality of the Group's mortgage portfolio could have a material adverse effect on its business, financial condition, results of operations and prospects.

Historically, downturns in the UK economy have had a negative effect on the UK housing market. A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults. Increased defaults could lead to higher impairment provisions and losses being incurred by the Group. Higher impairment provisions could reduce its capital and its ability to engage in lending and other income-generating activities. As a result, a decline in house prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, a significant increase in house prices could have a negative impact on the Group by reducing the affordability of homes for first-time buyers or those looking to purchase more expensive properties and, if such increases were to result in a decrease in the number of customers that could afford to purchase houses, a reduction in demand for new mortgages. Sustained volatility in UK house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Group's ability to grow its mortgage portfolio in the UK.

The UK Government's "Term Funding with additional incentives for SMEs scheme" (the "**TFSME scheme**") will require contractual repayment from 2024 onwards. As a result, UK banks will have to replace these funds from other sources, which may be at a higher cost, which could lead to lower lending and/or higher mortgage interest rates and which could also contribute to volatility in house prices.

For information on the Group's exposure to the TFSME scheme, please refer to the risk factor entitled "*The Group is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost*" below.

Borrowers of buy-to-let mortgages have benefited in recent years from a combination of low interest rates, rising house prices and increasing rents. First time buyers have struggled to raise the required deposit to allow them to purchase their own homes. The rising interest rate environment has placed pressure on the buy-to-let market with landlords less able to meet regulatory affordability hurdles for the increased interest payments required for new mortgages. This may lead to a reduction in buy-to-let income for the Group but may also lead to a decrease in asset quality as investors look to purchase lower quality assets with better returns, but with a lower quality of tenant. If rental rates were to decrease or remain stagnant, interest rates were to increase, further tax changes were to reduce the post-tax return on buy-to-let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or house prices, the credit performance of the Group's buy-to-let mortgage book could deteriorate, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The future impact of these changes and other regulatory changes or UK Government programmes on the UK housing market, and whether or not the Group participates in them, is difficult to predict and plan for. Volatility in the UK housing market occurring as a result of such changes, such as a decrease in mortgage volumes due to stricter lending criteria, or for any other reason, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Interest rates, which have been historically low for mortgages, have been increasing since December 2021 with more sharp rises seen since December 2022. Although the majority of Group mortgage lending is on a fixed interest rate basis and most customers have been assessed at origination whether they can afford a higher interest rate, higher mortgage interest rates may still cause financial stress and shock to customers as they roll off current fixed rate products on to new

ones. The higher interest rate environment combined with the higher cost of living could also adversely impact house prices and mortgage collateral valuations. This could adversely impact the Group's business, financial condition, results of operations and prospects.

2.9 ***The Group is exposed to risks relating to the supply and affordability of property in the UK***

The Group's owner-occupied and buy-to-let mortgage lending is and will be dependent on a number of factors related to the supply and affordability of property in the UK.

The Group's owner-occupied mortgage lending requires a supply of newly built or developed property coming to the market that relies on mortgage lending for financing, as well as transaction volumes within the market for existing property being at a sufficiently high level to support a profitable level of owner-occupied mortgage lending. A decrease in housing transaction volumes could lead to a reduction in demand for owner-occupied mortgages and a fall in related mortgage revenues, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Following a sustained period of a generally upward trend in average house prices in the UK, in particular, the surge during the UK Government's stamp duty holiday in 2020 and 2021, UK house prices are now beginning to follow a falling trend. If house prices in those regions that the Group has significant exposure begin to follow a significant falling trend this would be likely to result in an increase in the Group's residential mortgage loan impairment charges as the value of the security underlying its mortgage loans is eroded. Higher impairment charges could reduce the Group's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on the Group's business and potentially on its ability to implement its medium-term growth strategy.

The Group's buy-to-let lending primarily targets lending to high and medium net worth clients looking to diversify their investments. The buy-to-let 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 accompanied by higher mortgage interest rates or not), coupled with stricter affordability tests introduced in 2017, the 3 per cent. stamp duty surcharge on purchases of buy-to-let and second homes in England and Northern Ireland, the higher Welsh Land Transaction Tax rates on purchases of buy-to-let and second homes in Wales and the Additional Dwelling Supplement tax on purchases of buy-to-let and second homes in Scotland and the stress-testing of interest rate rises, could reduce potential returns from buy-to-let properties, which could have an adverse impact on profitability and thus a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The increases in buy-to-let mortgage interest rates since 2021 could put buy-to-let landlords under strain and erode their profit margins resulting in a reduction in the number of buy-to-let landlords in the market. In addition, some landlords who are unable to afford the higher cost of borrowing may be forced to sell their properties therefore also reducing supply. Rising interest rates are also likely to exert upwards pressure on rents and make it more difficult for tenants to find affordable housing. The reduction in demand for the Group's buy-to-let mortgages could have an adverse impact on profitability and thus a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.10 ***The Group is exposed to the risk of customers who have interest-only owner-occupied mortgage loans are unable to repay their loans in full at maturity***

The Group provides mortgages to customers to enable them to purchase property for owner occupation. Such mortgages may be provided on a capital repayment basis, where the loan is repaid during its life, or on an interest-only basis, in which case the customer pays interest during the term of the mortgage loan with the principal balance being required to be repaid in full at maturity. In respect of owner occupied interest-only mortgage customers, assessments of capital repayment strategies may be incomplete or out-of-date, particularly for historic vintages, and consequently, the Group may lack information to accurately evaluate the related repayment risk. As a result, it may have reduced visibility of future repayment issues in respect of its interest-only residential

mortgages, which could limit the Group's ability to estimate and establish provisions to cover exposures resulting from these mortgages.

Owner-occupied mortgage customers taking out interest-only mortgages are required by regulation to have capital repayment strategies, which may include sale of property. Where such repayment strategies are inadequate or have not been executed as planned, the Group is exposed to the risk that the outstanding principal balance on interest-only loans for owner-occupied mortgages is not repaid in full at the contractual maturity date. The Group provides a variety of solutions to support customers in such instances, but these solutions may not always result in customers being able to repay their loans or to continue to service the interest payments where the capital sum remains outstanding. Where the solutions are unsuccessful there may be increased impairment charges on the Group's owner-occupied mortgage portfolio which could have a material adverse effect on its profitability and, therefore, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The risk increases if, at the maturity of the loan, the customer is no longer in paid employment and is relying on reduced sources of income, such as pension income or unemployment benefits, to continue to meet the loan interest payments and agreed capital repayments.

2.11 ***The Group may lose the right to use the "Virgin" and "Virgin Money" brands (which it does not own)***

In order for the Group to use the "Virgin" and "Virgin Money" names and brands (which it does not own), the Group is required to comply with certain obligations under the brand licence agreement entered into between the Issuer and Virgin Enterprises Limited ("**Virgin Enterprises**") (the "**Brand Licence Agreement**"). The Brand Licence Agreement has a perpetual term. Virgin Enterprises has the right to terminate the Brand Licence Agreement in certain circumstances, including amongst other things: (i) if the Issuer challenges Virgin Enterprises' ownership of, entitlement to license and/or the validity of the licensed trademarks; (ii) on the Issuer's insolvency; (iii) upon the Issuer's material, unremedied breach of the Brand Licence Agreement; (iv) if the Issuer undergoes a change of control unless the change of control is a permitted change of control, which includes any change of control arising from any sale of the shares of the Issuer which has been consented to by Virgin Enterprises (Virgin Enterprises is only entitled to withhold consent in limited circumstances); and (v) the Issuer's failure to comply with the must-use requirement under the Brand Licence Agreement (which requires at least 80 per cent. of the Group's turnover to be generated under the marks licensed by Virgin Enterprises). In certain circumstances, the termination of the Brand Licence Agreement by Virgin Enterprises or by the Issuer entitles Virgin Enterprises to receive a termination fee from the Issuer in lieu of a damage claim. Loss of the Group's rights to use the "Virgin" and "Virgin Money" names and brands under the Brand Licence Agreement could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Virgin Enterprises may allow other Virgin Enterprises licensees to use the "Virgin" name and brand for financial products and services in certain defined circumstances. The use by any other Virgin Enterprises licensee of the "Virgin" name in relation to financial services and products may represent a dilution of the Group's exclusivity in the financial services field, and could: (i) cause customer confusion and (ii) create potential reputational damage if the Virgin Enterprises licensee providing the ancillary financial products or services does anything that damages the goodwill of the brand.

2.12 ***The reputation of the Group and its brands may be damaged by the actions, behaviour or performance of numerous persons***

The Group operates under its "Clydesdale Bank", "Yorkshire Bank" and "Virgin Money" brands. Virgin Enterprises permits the Group, subject to certain exclusions and reservations of rights, exclusive and perpetual access to use the "Virgin Money" brand in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks, challenger banks, all investment or savings products and services, and all insurance products and services, as well as certain related non-exclusive rights to use the "Virgin" trademarks. Any event or circumstance that causes damage to the Group or its brands could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's brands may be damaged by the actions, behaviour or performance of its employees, affiliates, suppliers, counterparties, regulators, customers and/or other activists, or the financial services industry generally. A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor below entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*"), or a significant operational or technology failure, or a fall in customer service levels, or demonstrations by customers and/or other activists, may cause business disruption or adversely affect the perceptions of the Group held by the public, shareholders, investors, customers, employees, regulators or rating agencies. A risk event itself may expose the Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts on the Issuer's share price. There is also a risk that customers may not support the ongoing use of the "Virgin Money" brand, which may adversely impact the Group's business, results of operations, financial condition and prospects.

In particular, the "Virgin" brand is used in a wide range of different economic sectors in the UK and internationally. The Group is exposed to the risk that others associated with the "Virgin" brand, including Sir Richard Branson and his family or other companies which use the "Virgin" brand, may bring the brand into disrepute. The "Virgin" brand is positioned as an innovative brand and many of the ventures to which it is attached are in the public eye. The Group faces the risk that should any of such innovative activities not be successful, this will be heavily reported and there may be a negative effect on the reputation and the strength of the "Virgin" brand which may have similar consequences for the "Virgin Money" brand or the Group and its brands generally. Furthermore, should Sir Richard Branson cease to be connected to the "Virgin" brand, for example, through exiting the business or upon his death, the goodwill of the "Virgin" brand, especially the brand's popularity with consumers, may suffer a decline which may have similar consequences on the "Virgin Money" brand.

Reputational damage to the Group or its brands may adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may also result in a higher risk premium being applied to the Group, which could adversely impact the cost of funding its operations and its financial condition.

2.13 ***The Group faces risks from the highly competitive environment in which it operates***

The market for financial services in the UK faces many competitive pressures and the Group expects these pressures to continue in response to competitor behaviour, consumer expectations, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. In combination, these forces are placing increasing pressure on the Group's results of operations, digital capability, margins and returns through price pressure, reductions in fees and charges, increased marketing and other related expenses, investment demands, regulatory requirements and changes to capital requirements.

The UK banking industry continues to be dominated by the biggest five banks with a lack of a material shift in market share to challenger and specialist lenders, particularly in relation to the PCA and BCA markets. There is, however, some variation between each of the five largest banks with some increasing and others decreasing their market shares as they manage balance sheet growth in the context of their wider strategic agendas.

As the financial services markets in which the Group operates are generally mature, growth by any bank typically requires winning market share from competitors.

The Group faces competition from established financial services providers as well as new market entrants, including "digital banks", "challenger banks" and "neo banks" with specific areas of market focus, and non-bank competitors which, in some cases, have lower cost operating models and are therefore capable of generating better returns from asset growth. Competition in the UK mortgage market including from these banks seeking scale and growth over a short period of time is continuing to create downward price pressure on mortgage and other lending rates.

Further intervention in the UK banking industry is anticipated from regulators and authorities who are increasingly focusing on competition and market effectiveness. Low levels of switching in the UK current account market have been seen as a major barrier to competition between banks and an impediment to customers receiving a potentially better service from a new supplier. The

Payment Services Directive 2 (EU) 2015/2366 ("**PSD2**") as it forms part of domestic law of the UK under the EUWA creates the risk for the Group of disintermediation by third parties. In the UK, open banking regulation requires certain large banks to provide access to certain information via a standardised set of application programming interfaces ("**APIs**"). It also introduces a risk for the Group should it fail to adapt in a fast-changing environment.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products and services to keep pace with industry developments and meet customer expectations. It is also subject to the risk of not appropriately responding to increased threats of cyber-crime associated with digital expansion (for further information, see the risk factor entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*" below) and the industry-wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. The Group expects to increasingly collaborate with innovative market players in order to develop compelling and secure customer propositions and to enhance operational performance; however, the Group's financial and operational performance may be materially adversely affected by an inability to keep pace with industry trend and customer expectations.

The credit card issuing business is highly competitive. The Group competes with other credit card issuers on the basis of a number of factors, including products and services, brand, network, reputation and pricing. This competition affects the ability of the Group to obtain applicants for credit cards, encourage card members to use their credit cards, maximise the revenue generated by card usage and generate card member loyalty and satisfaction so as to minimise the number of card members switching to other credit card brands. If the Group is unable to compete successfully, the Group's business, financial condition, results of operations and/or prospects could be materially adversely affected.

2.14 ***The Group may fail to attract or retain executives, senior managers or other key employees***

The Group's success depends on the continued service and performance of its key employees, particularly its executives and senior managers, and its ability to attract, retain and develop high calibre talent. The Group may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including if they do not identify or engage with the Group's purpose, brand and values, which represents a major component of its overall strategy. The Group competes for talented people with skills that are in relatively short supply and it may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable to its larger competitors, particularly at more senior levels. The Group may also allocate resources improperly or in ways which could create operational inefficiencies and risks and/or lead to de-motivated senior employees. Each of these factors could have an adverse effect on the Group's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect the Group's business. In addition, external factors such as changing labour market dynamics including higher levels of job vacancies, macro-economic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3. **Conduct Risk**

3.1 ***The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions***

The Group faces conduct, financial and reputational risks as a result of legal and regulatory proceedings relating to complaints and redress issues from sales of historic financial products (including claims management company driven legal or complaints campaigns) (see Note 5.1 to the financial statements in the 2023 Audited Financial Statements for further details of legal actions and regulatory matters involving the Group). It also faces such risks as a result of complaints made to it directly, to the Financial Ombudsman Service (the "**FOS**") or other relevant regulatory bodies or the Business Banking Resolution Service, both against the Group and against members of the

UK banking industry more generally. These conduct issues relate to *inter alia* fixed rate tailored business loans.

In addition, the Group may also face financial and reputational risks as a result of customer complaints, which might arise from matters such as inadequate communications or historic or current customer treatment in relation to certain products offered by the Group.

As part of the demerger from the National Australia Bank Limited ("**NAB**") group of companies (the "**NAB Group**"), NAB and the Issuer entered into a conduct indemnity deed on 2 December 2015 under which NAB agreed to provide the Group with an indemnity in respect of certain costs and liabilities (including financial penalties imposed by a regulator) resulting from certain historic conduct liabilities in the period prior to completion of the demerger (the "**Capped Indemnity Deed**" and the "**Capped Indemnity**", respectively) relating to the business of the Group. As at the completion of the demerger, the cover provided by the Capped Indemnity stood at £1.115 billion. The full amount of the remaining Capped Indemnity was drawn down in the first half of 2018. Since that point, all further conduct related costs are fully borne by the Group.

The Capped Indemnity is subject to a dispute resolution procedure which may result in any unresolved issues being determined by a third-party expert or by court proceedings

In certain circumstances contemplated by the Capped Indemnity Deed, the Issuer may also be required to repay to NAB certain amounts received by it under the Capped Indemnity. The likelihood of this situation arising is considered to be low as the funds have been withdrawn from the designated account in which they were held and these have been utilised, with the withdrawals being fully audited. In the unlikely event the Issuer is required to repay to NAB amounts received by it under the Capped Indemnity, it would need to fund such repayments from its own capital resources.

It is possible that such claims or further claims relating to historic or future conduct matters may amount to a material capital exposure for the Group. Exposure to such claims may exceed the provisions of the Group which could have a material adverse effect on the Group's balance sheet. Such claims could therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

3.2 ***The Group is subject to substantial conduct regulations and regulatory oversight in respect of conduct issues***

The Group is exposed to many forms of conduct and/or regulatory risk, which may arise in a number of ways. In particular: certain aspects of the Group's current or past business may be determined by its regulators including the FCA, the PRA, the Payment Systems Regulator ("**PSR**"), His Majesty's Treasury ("**HMT**"), the FOS, the UK Competition and Markets Authority (the "**CMA**"), the UK Information Commissioner's Office (the "**ICO**") or the courts, as not being conducted in accordance with applicable local or potentially, overseas laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. If the Group fails to comply with any relevant regulations, there is a risk of an adverse impact on its business and reputation due to sanctions, fines or other actions imposed by the regulatory authorities.

The Group may be subject to further allegations of mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in significant costs, which may require provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products. See "*The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above for further information in relation to complaints and redress from historical sales of financial products.

The Group may be liable for damages to third parties harmed by the manner in which the Group has conducted one or more aspects of its business.

4. **Regulatory Risks**

The Group's business is subject to ongoing regulation and associated regulatory risks, including the effects of new and changing laws, rules, regulations, policies, voluntary codes of practice and interpretations of such in the UK. These laws, rules, and regulations include: (a) prudential regulatory developments; (b) increased regulatory oversight in respect of conduct issues; and (c) industry-wide codes, guidance and initiatives. Each of these has costs associated with it, may significantly affect the way that the Group does business and may restrict the scope of its existing businesses, limit its ability to expand its product offerings or make its products and services more expensive for clients and customers. Developments across any of these three regulatory areas, discussed in greater detail below, could materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance costs, delay, limit or restrict its strategic development and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

4.1 ***The Group is subject to risks associated with compliance with a wide range of laws and regulations***

The Group's operations are heavily regulated, and it must comply with numerous laws and regulations and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the financial services industry. For example, UK financial institutions, including the Group, are subject to a high level of scrutiny by regulatory bodies (including the BoE, the FCA, the PRA, the Payment Systems Regulator, the CMA, the Pensions Regulator and the ICO) regarding the treatment of customers and also by the press and politicians. Financial institutions, including the Group and its employees, have also been subject to customer complaints and regulatory investigation and/or enforcement action regarding mis-selling of financial products, adequacy of systems and controls, handling of customers in arrears and conduct leading to customer detriment and the mishandling of related complaints which has resulted in disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution to affected customers, all of which result in costs and may require provisions in addition to those already taken. In particular, and in common with the wider UK retail and business banking sector, the Group continues to resolve outstanding complaints and redress issues arising out of historic sales of certain business loans. Further information is provided in the risk factor entitled "*The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above.

Regulatory enforcement actions pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, the Group and/or its employees may be subject to other penalties and injunctive relief, civil or private litigation arising out of the same subject matters as a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions. For further details of risks arising from regulations applicable to the Group, see the rest of this section "*Regulatory and Legal Risk*". All of these issues could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the execution of the Group's strategy and the operation of its business.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, diversion of management time and effort or negative business, regulatory or reputational consequences of continuing to contest liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where there are no litigation proceedings and the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

4.2 ***The Group is subject to substantial and changing prudential regulation***

The Group faces risks associated with an evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times.

Any future prudential regulatory developments could have a material adverse effect on the Group's business, results of operations and financial condition.

(a) ***Capital***

A market perception or actual shortage of capital issued by the Group could result in regulatory actions, including requiring the Issuer to issue additional CET1 securities, requiring the Issuer to retain earnings or suspend dividends or issuing a public censure or the imposition of sanctions or limiting payments on additional tier 1 instruments. This may affect the Group's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to any such shortage, the Group raises additional capital through the issuance of capital instruments and/or subordinated debt, holders of the Notes may experience reduced profitability and returns.

In addition, any increase in the Pillar 1 requirements, Pillar 2 requirements, the combined buffer or the UK Prudential Regulation Authority (the "**PRA**") capital buffer would increase the capital requirements of the Group which could have a material adverse effect on the Group's business, results of operations and financial condition. See "*Regulatory Developments — The UK CRD*", for information regarding the capital requirements of the Group, comprising of the Pillar 1 requirements, the Pillar 2 requirements and the UK CRD capital buffers.

(b) ***Recovery and Resolution***

If the BoE, as resolution authority, were to exercise recovery or resolution powers in respect of any member of the Group, including the Issuer, then existing shareholders and/or debt holders, including holders of the Notes, may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses. In addition, in a resolution situation, financial public support will only be available to any member of the Group, including the Issuer, as a last resort after the resolution authorities have assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool. See "*Regulatory Developments — The Banking Act and the SRR*", for information regarding BoE recovery and resolution powers.

(c) ***Minimum requirement for own funds and eligible liabilities***

The Issuer is subject to the BoE's minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL has been subject to phased implementation, with end-state MREL requirements applying from 1 January 2022. An increase in the amount of own funds or eligible liabilities required to be issued by the Issuer and/or other members of the Group may increase compliance costs, delay, limit or restrict the execution of the Group's strategy and may have a material adverse effect on the Group's capital structure, business, financial condition and results of operations. MREL will have an impact across the market including potentially affecting the credit rating of the securities issued by the Group (including the Notes) and its competitors and there is a risk that the relative impact may give rise to a reduction in competitiveness of the Group. For further information on the MREL requirements see "*Regulatory Developments — The UK CRD — Minimum requirement for own funds and eligible liabilities*" below.

(d) ***Operational risk capital***

In December 2017, the Basel Committee issued its finalised revisions to the standardised approach for measuring operational risk capital which is used by the Group. The PRA intends to implement the majority of these revisions from 1 July 2025. The revisions introduce a statistically superior measure of operational risk, termed the "**Business Indicator**", which will replace gross income as a key input for determining operational risk capital. In addition, the revisions remove the differentiation by business-line, which was found not to be a significant risk-driver. Instead, the size of the relevant bank is found to be a significant risk-driver and is incorporated into the new methodology. The changes

will have to be transposed into UK law. (see "*Regulatory Developments – Basel 3.1*" below for more details).

These changes may require the Group to hold additional operational risk Pillar 1 capital which could materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance cost, delay, limit or restrict the execution of its strategy and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(e) ***Credit risk and risk-weighting of assets***

In December 2017, the Basel Committee published the final version of the measures it is taking to improve consistency and comparability in bank capital ratios, and thereby to restore confidence in risk-weighted capital ratios. These measures include: a revision to the standardised (non-modelled) approaches for calculating regulatory capital ratios that will also provide the basis for a capital floor; and reducing the modelling choices in the capital framework when determining internal model-based estimates of credit, market and operational risk weighted assets ("**RWAs**" or "**Risk Weighted Assets**"). The measures form part of the Basel Committee's broader work on reducing variability in RWAs and aim to reduce reliance on external credit ratings; increase risk sensitivity; reduce national discretions; strengthen the link between the standardised approach and the "Internal Ratings Based" ("**IRB**") approach; clarify the role of internal models (and thereby mitigate model risk from banks' internal model approaches); enhance comparability of capital requirements across banks; and overall ensure the standardised approach continues to be suitable for calculating the capital requirements for credit risk exposures in order to ensure a minimum level of capital across the banking system.

At the date of these Listing Particulars, the finalised standards are still required to be transposed into UK law. The PRA consultation on implementing Basel 3.1 in the UK was published in November 2022 with the reforms expected to become effective in the UK on 1 July 2025 (see "*Regulatory Developments – Basel 3.1*" below for more details). Until the final rules are published by the PRA, it is not possible to say with definitive certainty what impact the changes will have on the Group's capital requirements, Risk Weighted Assets, capital structure, business, financial condition and results of operations.

The final implementation of these final standards may increase the Group's capital requirements which may have a material adverse effect on the Group's capital structure, business, financial condition and results of operations.

(f) ***Residential mortgage risk weights (PS13/17)***

In June 2017, the PRA published a policy statement relating to residential mortgage risk-weights, including proposals to align firms' internal ratings based modelling approaches for residential mortgage risk-weighted assets, and sets out a number of modifications to the internal ratings based modelling methodologies for residential mortgages. On 14 May 2020, the PRA published a policy statement on probability of default and loss given default estimation for credit risk (PS11/20). In this statement the PRA provides feedback to its September 2019 consultation paper (CP21/19) which consulted on proposals to implement the EBA's regulatory products that relate to the probability of default and loss given default estimation. Following the BoE's announcements in 2020 regarding supervisory and prudential policy measures to address the challenges of COVID-19, the requirements relating to compliance with updates to definitions of default, mortgage PD and LGD were extended. Adoption of hybrid mortgage models will be subject to regulatory approval and until such time, the Group will continue to apply adjustments to RWAs to simulate the expected impact of the models. Adoption of hybrid models is expected in financial year 2024.

Separately, the PRA Policy Statement PS16/21 published in July 2021 introduced a minimum expectation for mortgage risk weights from 1 January 2022 of at least 10 per cent. for all non-defaulted UK residential mortgage exposures which the Group complies with. Within the policy the PRA removed key impact proposals, noting they will consider

carefully the calibration of the incoming PD and LGD parameter floors for mortgage exposures as part of the PRA's implementation of the Basel 3.1 standards. In addition, internal ratings based calibration changes may lead to changes in the Group's risk weights over time, affecting the Group's ability to meet capital requirements and could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

(g) ***Firms' assessment of Pillar 2 risks***

The PRA requires the Issuer to hold capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements of the UK CRD (the "**Pillar 2A requirements**") and may require the Issuer to hold a further capital buffer which is not prescribed under the CRD, as further described in the section entitled "*Regulatory Developments — The UK CRD — Capital Requirements*" below. In addition, during 2021 the Group took part in its inaugural BoE concurrent stress test, following which the PRA have confirmed the Group's buffer requirements, which remain materially unchanged. The Group has completed the 2021 and 2022 BoE stress testing exercises which are used to inform the Group's future capital requirements and/or targets. The BoE published results in July 2023, with the Group remaining significantly in excess of its reference rates on both a transitional and non-transitional basis. Future stress testing could increase the capital requirements of the Group which could have a material adverse effect on the Group's business, results of operations and financial condition.

As further described in "*Regulatory Developments — The UK CRD — Capital Requirements*" below, the PRA regularly updates its rules relating to the Pillar 2 capital framework to which the Group is subject and as part of the consultation on implementing Basel 3.1 in the UK, the PRA announced a review of its Pillar 2A methodology by 2024. Changes to these rules could result in an increase in compliance costs for the Group which may have a material adverse effect on the Group's capital structure, business financial conditions and results of operations.

(h) ***Leverage ratio risks***

As further described in "*Regulatory Developments — Leverage*" below, the Issuer has to comply with the PRA's leverage ratio framework. Changes to the framework may lead to the Group being required to hold additional capital and/or eligible liabilities. In addition there may be costs in relation to compliance and ongoing monitoring that reporting, and disclosure obligations are being met. Certain changes may have an adverse effect on the Group's business, results of operations and financial condition.

4.3 ***The Group is subject to the potential impacts of UK banking and financial services reform initiatives***

The Group is subject to the potential impacts of UK banking and financial services reform initiatives. Any future banking and financial services reform initiatives could have a material adverse effect on the Group's business, results of operations and financial condition.

For an overview of financial services reform initiatives relevant to the Group, see "*Regulatory Developments — UK and European banking and financial services reform initiatives*".

4.4 ***The Group is subject to BoE oversight in respect of resolution, and the Group could be adversely affected should the BoE deem the Group's preparations to be inadequate***

The Banking Act and associated FCA and PRA rules contain requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the bail-in tool).

The BoE and the PRA rules on a resolvability assessment framework (the "**Resolvability Assessment Framework**") require the largest UK banks (including the Group) to perform an assessment of their preparations for resolution, in which they should identify any risks to successful resolution and the plans in place to address them, submit a report of that assessment to the BoE, and publish a summary of their most recent report. The Group's summary of its initial report and

the BoE's assessment of the Group's preparations were released on 10 June 2022. The Group, along with other leading UK banks submitted its second report on 6 October 2023 and its summary of this second report and the BoE's assessment of its preparations are due to be released in June 2024. See further "*Regulatory Developments – Prudential Regulation – Resolvability Assessment Framework*".

Although the BoE assessment of the Group's initial report confirms that it has not identified any shortcomings, deficiencies, or substantive impediments to the Group achieving the resolvability outcomes described in the RAF Statement of Policy "*The Bank of England's approach to assessing resolvability*" the BoE identified several areas where further enhancements were required and the Group has been working to deliver such enhancements as it continues to develop and improve its resolvability capabilities. Complying with the Resolvability Assessment Framework and any possible regulatory or other actions deriving therefrom may affect the way in which the Group is perceived by the market, which in turn may affect the value of the Notes.

5. **Operational and Technology Risk**

5.1 ***The Group is exposed to risks associated with its IT systems***

The Group's IT systems are critical to the operation of its business and the delivery of products and services to its customers. Any disruption in a customer's access to account information, delays in making payments, an inability to make cash withdrawals at the Group's ATMs or a failure of online or mobile banking platforms could have a significant negative effect on its reputation and could also lead to potentially large costs both to rectify the issue and to reimburse losses incurred by customers. In addition, any defect in the Group's standard documentation or defect in its electronic banking applications or mainframe could be replicated across a large number of transactions before the defect is discovered and corrected. This could significantly increase the cost of remediating the defect.

A range of standard form documentation and automatic banking systems are widely used in the Group's business to process high volumes of transactions. The Group focuses on the resilience and scalability of the IT systems that underpin online or mobile traffic and transactional volumes. However, there is a risk that the Group's IT systems may not be able to service significantly increased demand. In the future, the Group plans to upgrade its IT systems and staffing to meet such demand, which may cause delays to customers and adversely affect its customer service.

As the Group depends on a number of third-party providers for a variety of functions, including payment service provider systems, any disruption in such systems could have a disruptive effect on the Group's operations.

Further, the Group regularly conducts IT system upgrades. Should these upgrades not be completed as planned, or become subject to significant delays or suffer from cost overruns, operational performance may suffer. Delays or cost overruns could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any disruption to the Group's IT systems, including, but not limited to those highlighted above, could have a material adverse effect on its business, financial condition, results of operations and prospects.

5.2 ***The Group is exposed to risks associated with cyber-enabled crime and fraud***

The Group is subject to the risk of actual or attempted cyber and information security attacks and breaches from parties with criminal or malicious intent. Should the Group's layered controls fail to detect, prevent or mitigate a cyber-attack or data breach, or should an incident occur in a system for which there is limited resilience, there may be a material adverse effect on its business, financial condition, results of operations and prospects.

The Group continues to invest in its cyber and information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Group and the UK financial system, which has a high degree of interconnectedness

between market participants, centralised market infrastructure and in some cases complex legacy IT systems. The Group cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. The Group's strategy to increase its digital presence may expose the Group to increased risks associated with cyber-enabled crime and fraud. For more information on its digital strategy, please refer to the risk factor entitled "*Risks associated with the Group's digital strategy*" above.

Any breach in security of the Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brands, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Rapid developments in artificial intelligence ("**AI**") could present wide ranging risks to the Group, with uncertainty over its potential disruptiveness remaining. The Group has a comprehensive framework of controls in place and is developing AI use cases responsibly by mitigating inherent bias and ethical risks. However, it cannot be excluded that disruption to the Group's business, operations or processes resulting from the disruptive usage of AI, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

5.3 *The Group is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events*

The Group's business is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the Group, which may result in direct or indirect losses and could adversely impact the Group's business, financial condition, results of operations and prospects. These losses may result from both internal and external events, and risks. Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud, deficiencies in employees' skills, or the Group's ability to attract the skills required or manage poor performance or human error, or other idiosyncratic components of operational risk that are related to the Group's particular size, nature and complexity. External events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, epidemics, pandemics, extreme weather events, political, security and social events and failings in the financial services industry. The Group is exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating VMH into the Group, in particular due to problems with migrating data, systems (such as IT systems) or processes.

The Group is dependent on its information systems and technology from a system stability, data quality and information security perspective. The Group is dependent on payments systems and technology that interface with wider industry infrastructure; for example, the Group is, in common with other banks, dependent on various industry payment systems and schemes (including CHAPS, BACS, Faster Payments and SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes or be adequately protected) could adversely impact the Group's ability to conduct its daily operations and its business, financial condition, results of operations and prospects.

In addition, financial models are used extensively in the conduct of the Group's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may look to implement new operational processes and systems to assist in responding to market developments, such as the move towards the use of open application programming

interfaces that enable the secure sharing of user and financial services information with other financial services and third parties ("**Open Banking**") which is designed to enable personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to compare products on the basis of their own requirements and to manage their accounts without having to use their bank, or to reflect changes in regulations, such as the UK General Data Protection Regulation (Regulation (EU) 2016/679, as it forms part of UK domestic law by virtue of the EUWA) whereby the Group must be able to report at any time to the ICO all locations where personal identifiable information is stored (for example within systems and databases) and provide a justification of why such personal identifiable information is needed. Due to the scale and complexity of such projects, the Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

While the Group is operationally resilient, and has IT disaster recovery and business continuity plans in place, these are not, and are not intended to be a full duplication of the Group's operational systems and premises. Additionally, the Group is exposed to risks associated with an increase in the cost or lack of available insurance provision for the Group (including any run-off policies), which could have an adverse impact on profitability. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any actual or perceived inadequacies, weaknesses or failures in the Group's systems or processes could have a material adverse effect on its business, financial condition, results of operations and prospects. For further information, see the risk factor entitled "*The amount and quality of the Group's capital is subject to regulatory requirements and market influence*" below.

5.4 ***The Group's risk management policies and procedures may not be effective in protecting it against all the risks faced by its business, and any failure to manage properly the risks that it faces could harm the Group and its prospects***

The management of risks requires, among other things, robust policies and procedures for the accurate identification and control of a large number of transactions and events. Such policies and procedures may not always prove to be adequate in practice against the wide range of risks that the Group faces in its business activities. There is a risk that the Issuer's existing policies may not adequately cover the nature of the Group's operations due to the introduction of processes or practices that are not currently part of the Group's operating model, thereby leading to losses or a deterioration in performance, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has a range of systems designed to measure and manage the various risks which it faces. Some of these methods are based on historic market and portfolio behaviour and 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 UK 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 Group. Such information may not always be correct, updated or correctly evaluated. In addition, even though the Group constantly measures and monitors its exposures, there can be no assurance that its risk management methods will be effective, including 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 Group's business, financial condition, results of operations and prospects.

5.5 ***The Group is subject to risks associated with its dependence on mortgage intermediaries and third-party service providers for certain functions***

The Group depends on a number of third-party providers for a variety of functions including, *inter alia*, for mortgage intermediation, information technology ("IT") software and platforms, automated teller machine ("ATM") services, payment system services, mobile application services, debit and credit card production, customer servicing, operational services, cheque processing services and fund management and custodial services. Consequently, the Group relies on the continued availability and reliability of these service providers. If its contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standard, it will be required to identify and implement alternative arrangements and it may not find an alternative third-party provider or supplier for the services, on a timely basis, on equivalent terms or without incurring a significant amount of additional costs or at all. These factors could cause a material disruption in the Group's operations and ability to service customers and could have a material adverse financial or reputational impact on it. It may result in a higher risk premium being applied to the Group and adversely impact the cost of funding its operations, or its financial condition and could give rise to claims by customers for financial loss experienced and/or regulatory sanctions.

In maintaining and growing its mortgage portfolio, the Group relies on a number of intermediaries in the mortgage lending market, which exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. If a major intermediary partner goes out of business or switches allegiance to other lenders, this may adversely affect the Group's lending volume. The Group is also exposed to the risk that its relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors. In addition, the intermediaries' incentives may not always align with the Group's, which could lead to a deterioration in the quality and performance of the Group's mortgage book. As the Group seeks to actively grow the volume of mortgages introduced by intermediaries, its exposure to those risks increases.

In addition, the structure of the intermediary market is also subject to change, for example, there may be a change in customer sentiment or regulation which favours customers dealing directly with financial institutions which would reduce the flow of business from intermediaries which may have an adverse impact on the Group if this business cannot be substituted. Also, there may be consolidation in the intermediary market which may change the behaviour of the residual intermediaries in ways which may adversely impact the Group. Any of these factors could have a negative impact on the Group's ability to meet its strategic objectives for its asset base and, consequently, its business, financial condition, results of operations and/or prospects.

In addition, if mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of the Group's mortgage products, the Group's brands and/or reputation could be harmed as a result. Reputational damage to the Group's brands caused by the failure of a third-party supplier may also adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities.

5.6 ***The Group must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively impact customers and expose the Group to liability***

The Group is subject to regulation and legislation regarding money laundering, the financing of terrorism, sanctions and in respect of bribery. The financial sanctions landscape in the UK continues to develop rapidly with an increase in volume and complexity of sanctions with which the Group must comply as a result of, *inter alia*, heightened geopolitical risks. Geopolitical risk and regulatory development is monitored closely by the Group however, monitoring compliance with financial crime related regulation, legislation and industry guidance can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities and the appropriate level of skill, knowledge and experience. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition, the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Group believes that its current policies and procedures are sufficient to comply with applicable financial crime related regulation and legislation, it cannot guarantee that such policies and procedures completely prevent situations of financial crime, including actions by the Group's customers, employees, mortgage

intermediaries or third party service providers, for which it might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition and results of operations.

5.7 *The Group may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate*

The preparation of the Group's financial statements require management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IAS as adopted by the UK Endorsement Board (or, before 1 October 2021, IFRS as endorsed in the EU). Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include impairment provisions on credit exposures, expected credit loss, deferred tax, retirement benefit obligations and effective interest rate assumptions. For information on the Group's critical accounting estimates and judgements, see Note 1.5 to the financial statements in the 2023 Audited Financial Statements, which are incorporated by reference into these Listing Particulars.

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a significant loss recognised beyond that anticipated or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the concept of an expected credit loss ("ECL") under IFRS 9 (either a 12-month or lifetime ECL) involves increased complexity and judgement, with the potential for ECLs to be more volatile, which could adversely impact the Group's results of operations, financial condition or prospects.

5.8 *The Group faces risks associated with a failure to manage changes in taxation rates or applicable tax laws, or from a misinterpretation of such tax laws*

The Group faces risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, any of which could result in increased charges, financial loss, including penalties, and reputational damage. Any misinterpretation of tax laws that creates the perception that the Group is avoiding or evading tax, or if it is associated with customers that do so, could adversely affect its reputation. The Group operates wholly within the UK. Future actions by the UK Government to adjust tax rates or to impose additional taxes (including particular taxes and levies targeted at the banking industry) could reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's results of operations and financial condition in the future. In addition, the UK has a predominantly self-assessment system for filing of tax returns. All tax returns have been filed by the Group within statutory deadlines, but His Majesty's Revenue & Customs ("HMRC") has the right to enquire into those returns post filing. Generally, an enquiry must be started within 12 months of filing. It is possible that an enquiry may result in a further liability to tax, which, if material, could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

Further details on recent changes to tax laws and tax rates and their impact on the Group is given in Note 2.4 to the financial statements in the 2023 Audited Financial Statements, which are incorporated by reference into these Listing Particulars.

6. *Financial Soundness and Capital Risks*

6.1 *A downgrade in the credit rating of the Issuer or the Bank, the UK banking sector or the UK Government may have an adverse effect on the Group's business, results of operations, financial condition and prospects*

Credit ratings are an important reference for market participants in evaluating the Group and its products, services and securities. Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks of the Issuer or the Bank, the Notes, the UK banking sector and/or the UK Government. Review activity is based on a number of factors including the Group's financial strength and outlook, the assumed level of UK Government support

for the Group in a crisis, the strength of the UK Government, and the condition of the financial services industry and the market generally.

Any future downgrade in the credit rating of the Issuer or the Bank, their respective securities, the UK banking sector or the sovereign rating of the UK could:

- (a) adversely affect the Group's liquidity;
- (b) undermine confidence in the Group;
- (c) increase the Group's borrowing costs;
- (d) require amendments to the Group's secured funding programmes;
- (e) limit the Group's access to wholesale funding from capital markets at commercially acceptable costs; or
- (f) limit the range of counterparties willing to enter into transactions with the Group (including under the Group's secured funding programmes), as many institutions require their counterparties to satisfy minimum ratings requirements,

and, consequently, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2 ***The Group is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost***

Funding risk is the risk that the Group is unable to raise funding at a commercially acceptable cost to support the delivery of its strategic plan or sustain lending commitments. Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due. The Group's primary liquidity risk exposure arises through the redemption of customer deposits where customers have the ability to withdraw funds with limited or no notice. Exposure also arises from the refinancing of customer and wholesale funding at maturity and the ability to fund new and existing committed lending obligations including mortgage pipeline and credit card facilities.

The Group is predominantly funded by retail and business customer deposits, augmented with funding from a number of wholesale funding programmes (including RMBS securitisation programmes, a covered bond programme and a global medium term note programme). Following its launch in April 2020 until its closure in October 2021, the Group also accessed additional funding from the BoE's TFSME scheme, which was established to provide cost-effective funds to banks to support additional lending to the real economy and incentivise lending to SMEs during a period of economic disruption caused by COVID-19.

As part of its funding plan, the Group intends to continue to access the wholesale funding markets. If during periods of acute economic or market disruption there was a reduction in investor appetite for holding its securities or the wholesale funding markets were to be partially or fully closed, it is likely that wholesale funding would prove more difficult to obtain on commercially acceptable terms. Under such circumstances, the Group may incur additional costs and may be unable to successfully deliver its medium-term growth strategy. Profound curtailments of central bank liquidity to the financial markets in connection with other market stresses, though unlikely, might have a material adverse effect on the Group's business, financial position and results of operations, depending on its funding position at that time.

Any downgrade in the credit rating of the Issuer, the Bank, the Group's secured issuance vehicles or its respective securities, or a downgrade in the sovereign rating of the UK, may increase the Group's borrowing costs or limit its access to the wholesale funding markets, which may increase re-financing risk, and, consequently, have a material adverse effect on its business, results of operations, financial condition and prospects. For further information, see the risk factor entitled "A downgrade in the credit rating of the Issuer or the Bank, the UK banking sector or the UK Government may have an adverse effect on the Group's business, results of operations, financial condition and prospects" above.

Any loss in consumer confidence in the Group could significantly increase the amount of deposit withdrawals that may occur in a short space of time. Should it experience an unusually high and/or unforeseen level of deposit withdrawals, the Group may require greater non-retail or business sources of other funding in the future, which it may be unable to access, which could in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

Any initiative to raise additional deposits through price leadership could have an adverse impact on the Group's net interest income and margin through the cost of both paying higher interest rates to new customers and existing customers switching to these higher-rate products.

Failure to manage these or any other risks relating to the availability of liquidity and funding may compromise the Group's ability to deliver its growth strategy and have a material adverse effect on its business, financial condition, results of operations and prospects.

6.3 ***The amount and quality of the Group's capital is subject to regulatory requirements and market influence***

Capital risk is the risk that the Group does not have sufficient capital and reserves of sufficient quality to meet prudential regulatory requirements, achieve its medium-term growth strategy, cover the risks to which it is exposed or protect against unexpected losses. The Group is required to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations.

The Group plans to satisfy incremental increases in capital required to support balance sheet growth by way of retained earnings and plans to access the wholesale markets to refinance various existing capital instruments and to issue new instruments from time to time. If, during periods of acute economic or market disruption the wholesale markets were to be fully or partially closed, or if the Group has, or is perceived to have, a shortage of regulatory capital, access to sources of capital may become constrained, more expensive or unavailable. This, in turn, may affect the Group's capacity to pay future dividends and make other distributions, continue its business operations or implement its business strategy, impacting future growth potential.

If, in response to higher capital requirements or a shortage, or perceived shortage, of regulatory capital, the Group raises additional capital through the issuance of shares, existing shareholders may experience a dilution of their holdings. If a capital or debt instrument is converted to ordinary shares as a result of a trigger within the contractual terms of the instrument or through the exercise of statutory powers then, depending upon the terms of conversion, existing shareholders may experience a dilution of their holdings. Separately, the Group may address a shortage of capital by acting to reduce leverage exposure and/or Risk Weighted Assets, by way of business disposals. Such actions may impact the profitability of the Group.

The Issuer may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section. The Group may also experience an increased demand for capital as a result of regulatory requirements. For further information, see "*Regulatory and Legal Risks – The Group is subject to substantial and changing prudential regulation*" above. Additional capital may also be required to redress issues from historical sales of financial products. Further information is provided in "*The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above.

The Group may also be impacted by certain revisions for calculating regulatory capital, including revisions to the regulatory capital treatment of interest rate risk in the banking book and the standardised approaches for credit risk and operational risk, as described further under "*Regulatory and Legal Risks – The Group is subject to substantial and changing prudential regulation*" above recently released by the Basel Committee on Banking Supervision (the "**Basel Committee**").

The Group sets its target amount of capital by taking into account its regulatory requirements, market expectations and its assessment of the risk profile of the business as evidenced by performance in stress testing. If market expectations as to capital levels increase, driven by, for example, the capital levels or targets amongst peer banks or if new regulatory requirements are introduced, then the Group may be required to increase its capital held. If it is unable to do so, its

business, financial condition, results of operations and prospects may be materially adversely affected. Ultimately, if there is a significant shortfall in the amount of capital held, it may lead to the BoE exercising its recovery and resolution powers over the Issuer or its power to write down or convert the Notes at the point of non-viability. If the BoE, as resolution authority, were to exercise such powers in respect of the Issuer, then debt holders, including the holders of the Notes, may experience their holdings being written-down or converted, and may not receive any compensation for their losses, see "*Regulatory and Legal Risk — The Group is subject to substantial and changing prudential regulation*" above.

7. **Other risks**

7.1 ***The Group is subject to risks associated with its hedging and treasury operations, including potential negative fair value adjustments***

The Group faces risks related to its hedging and treasury operations. The Group engages in hedging activities, for example in relation to interest rate risk, to limit the potential adverse effect of interest rate fluctuations on its results of operations. The Group's treasury operations have responsibility for managing the interest rate risk that arises through its customer facing business, management of its liquid asset buffer and investment of free reserves and interest rate insensitive deposit balances. Interest rate hedges for both customer assets and liabilities are calculated using a behavioural model. However, the Group does not hedge all of its interest rate, foreign exchange and other risk exposures and cannot guarantee that its hedging strategies will be successful because of factors such as behavioural risk, unforeseen volatility in interest rates or other market prices or, in times of market dislocation, the decreasing credit quality, or unavailability, of hedge counterparties. The Group also has cross currency hedging instruments in place for non-pounds sterling funding. If its hedging strategies are not effective, the Group may be required to record negative fair value adjustments. Material losses from the fair value of financial assets would also have an adverse impact on the Group's capital held.

The Group has a structural hedge in place to minimise volatility on income related to low and non-interest bearing deposits and equity. There is a risk that if interest rates were to fall, the Group will face margin compression as maturities are reinvested at prevailing market rates or if customer behaviours were to change significantly, these deposits might become more volatile and may no longer be suitable for swaps of the current duration, which could have a material adverse effect on the income generated by these balances. For further information on the impact of interest rates on the Group see "*The Group is subject to risks associated with interest rate levels and volatility*" above.

Through its treasury operations, the Group holds liquid assets portfolios potentially exposing the Group to interest rate risk, basis risk and credit spread risk. To the extent that volatile market conditions occur, the fair value of the Group's liquid assets portfolios could fall and cause the Group to record mark-to-market losses. In a distressed economic or market environment, the fair value of certain of the Group's exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant negative changes in the fair value of the Group's exposures, which could have a material adverse effect on the Group's business, financial condition and results of operations.

7.2 ***The Group may be required to increase its contributions to the Yorkshire and Clydesdale Bank defined benefit pension scheme (the "DB Scheme") to fund deficits***

The Bank is the sole sponsoring employer of the DB Scheme. As this is a defined benefit pension scheme, the assets and liabilities of the DB Scheme are managed by an independent Corporate Trustee Board and are operated completely separately from the Bank and the wider Group. Under the DB Scheme, benefits are based on employees' years of service, their salaries (using either a career average formula or final salary formula) and are index-linked. Risk to the Bank arises from the DB Scheme because from time to time there may be insufficient assets to cover the value of the liabilities (or member benefits) already built up in the scheme. In the case of such a DB Scheme deficit, the Bank is obliged by legislation and the governing documents of the scheme, to ultimately ensure that the scheme liabilities are met. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

B. RISKS RELATING TO THE NOTES

1. Risks related to the structure of the Notes

1.1 *The Notes will be subordinated to most of the Issuer's liabilities and the rights of the holders of Conversion Shares*

The Issuer's obligations under the Notes will be unsecured and subordinated to all of the Issuer's obligations to Senior Creditors. In addition, payment of principal or interest in respect of the Notes cannot be made in respect of the Notes except to the extent that the Issuer could make such payment and still satisfy the Solvency Condition immediately thereafter.

In the event of a Winding-Up (i) prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer, but subject as provided in Condition 5(a) (*Winding-Up prior to a Trigger Event*)), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of Notional Preference Shares ranking *pari passu* as to a return of assets on a winding-up with Parity Obligations and that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Note and any Accrued Interest (to the extent the Accrued Interest is not cancelled in accordance with the Conditions) and any damages awarded for breach of any obligations or (ii) concurrently with or after the occurrence of a Trigger Event, and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of such number of Conversion Shares as that Holder would have been entitled to receive upon an Automatic Conversion. Therefore, if, on a Winding-Up, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Notes. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes (which, in the event of a Winding-Up occurring in the intervening period between a Trigger Event and the Conversion Date, will be claims that rank *pari passu* with ordinary shares of the Issuer), the Holders will lose some (which may be substantially all or all) of their investment in the Notes.

Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should the Issuer become insolvent. See also "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail, including the exercise by the relevant resolution authority of a variety of statutory resolution powers, could materially adversely affect the value of the Notes*" below.

Furthermore, Holders should be aware that, upon the occurrence of an Automatic Conversion, all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the Conditions), and each Holder will be effectively further subordinated due to the change in their status on a Winding-Up after the Conversion Date from being the holder of a debt instrument ranking ahead of holders of ordinary shares to being the holder of ordinary shares of the Issuer or the beneficial owner of ordinary shares of the Issuer as evidenced by the Notes. As a result, upon the occurrence of an Automatic Conversion, the Holders could lose all or part of their investment in the Notes irrespective of whether the Issuer has sufficient assets available to settle what would have been the claims of the Holders or other securities subordinated to the same extent as the Notes, in a Winding-Up or otherwise. Therefore, even if other securities that rank *pari passu* with the Notes are paid in full, following the Conversion Date in respect of an Automatic Conversion, the Holders will have no rights to the repayment of the principal amount of the Notes or the payment of interest on the Notes

and will rank as holders of ordinary shares of the Issuer (or beneficial owners of ordinary shares of the Issuer).

1.2 ***Holders of the Notes will have limited remedies***

Payment of principal and accrued but unpaid interest on the Notes shall be accelerated only upon the occurrence of a Winding-Up Event. There is no right of acceleration in the case of non-payment of principal or interest on the Notes or of the Issuer's failure to perform any of its obligations under or in respect of the Notes.

A Winding-up Event results if: (1) a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer may be incorporated) makes an order for the winding-up of the Issuer which is not successfully appealed within 30 days of the making of such order, or the Issuer's shareholders adopt an effective resolution for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation the terms of which, have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Holders and do not provide that the Notes thereby become redeemable or repayable in accordance with the Conditions); or (2) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or (3) liquidation or dissolution of the Issuer or any procedure similar to that described in (1) or (2) above is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

The sole remedy against the Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Notes is (subject to certain conditions and to the provisions set forth in Condition 13 (*Non-Payment when due and Winding-Up Event*)), for the Trustee to institute proceedings in England (or such other jurisdiction in which the Issuer is organised) (but not elsewhere) for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the Issuer's liquidation or administration.

Although the Trustee may institute such proceedings against the Issuer as it may think fit to enforce a Performance Obligation, the Trustee (acting on behalf of the Holders but not the Trustee acting in its personal capacity under the Trust Deed) and the Holders shall not enforce, and shall not be entitled to enforce or otherwise claim, against the Issuer any judgment or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgement in a Winding-Up of the Issuer and/or claiming such Monetary Judgement in an administration of the Issuer.

1.3 ***The Issuer is a holding company***

The Issuer is a holding company that currently has no significant assets other than its loans to, and investments in, its subsidiaries, such as Clydesdale Bank, which means that if any such subsidiary is liquidated, the Issuer's right to participate in the assets of such subsidiary will depend upon the ranking of the Issuer's claims against such subsidiary according to the ordinary hierarchy of claims in insolvency. So, for example, insofar as the Issuer is a holder of ordinary shares in one of its subsidiaries, the Issuer's recovery in the liquidation of such subsidiary will be subject to the prior claims of such subsidiary's third party creditors and preference shareholders (if any). To the extent the Issuer holds other claims against any of its subsidiaries that are recognised to rank *pari passu* with any third party creditors' or preference shareholders' claims, such claims of the Issuer should in liquidation be treated *pari passu* with those third party claims.

The Issuer plans to fund interest payments under the Notes using cash received from Clydesdale Bank pursuant to intra-group debt instruments issued by Clydesdale Bank and subscribed for by the Issuer with the proceeds of the Notes (and/or distributions from its subsidiaries). Such debt instruments of Clydesdale Bank will have a legal ranking in the insolvency of Clydesdale Bank that corresponds to the legal ranking of the Notes in the insolvency of the Issuer and are intended to count as an Additional Tier 1 instrument of Clydesdale Bank.

However, the Issuer retains its absolute discretion to restructure such debt instruments issued by Clydesdale Bank at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to Clydesdale Bank or other Group subsidiaries. A

restructuring of such debt instruments could include changes to any or all of their features, including their legal or regulatory form and how they would rank in the insolvency hierarchy as a claim in the liquidation or administration of Clydesdale Bank. Any restructuring of such debt instruments may be implemented by the Issuer without prior notification to, or consent of, the Holders.

In addition, the terms of such debt instruments will contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the relevant members of the Group, result in a write down of such debt instruments. Such debt instruments may also be subject to the statutory write down and conversion powers or the bail-in tool – see "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail, including the exercise by the relevant resolution authority of a variety of statutory resolution powers, could materially adversely affect the value of the Notes*". Any changes in the legal or regulatory form and/or ranking of the debt instruments could also impact their treatment in resolution.

Further, if one of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) the Holders would have no right to proceed against the assets of such subsidiary, and (ii) the Issuer would only recover any amounts (directly, or indirectly through its holdings of other subsidiaries) in the winding-up, liquidation or dissolution of that subsidiary in respect of its direct or indirect holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of the creditors (which would include the Issuer, for example, in the case of the Clydesdale Bank intra-group debt instruments mentioned above if they had not been converted or cancelled) and preference shareholders (if any) of that subsidiary.

1.4 ***Waiver of set-off***

As set out in Condition 4(b) (*No set-off*) the Holders waive any right of set-off, compensation, retention or netting in relation to the Notes insofar as permitted by applicable law. Therefore, Holders will not be entitled (subject to applicable law) to set-off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

1.5 ***The Notes may be substituted or the terms of the Notes may be varied following a Regulatory Event or a Tax Event***

The Issuer may, following a Regulatory Event or a Tax Event, without the need for any consent of the Holders, substitute all (but not some only) of the Notes, or vary the terms of all (but not only some) of the Notes so that they remain or, as appropriate, become Qualifying Additional Tier 1 Securities.

While Qualifying Additional Tier 1 Securities are required to have terms which are not materially less favourable to Holders than the terms of the Notes (as reasonably determined by the Issuer), no assurance can be given that any such substitution or variation will not adversely affect any particular holder. The Issuer bears no responsibility towards the Holders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Holder).

1.6 ***No limitation on issuing senior or pari passu securities***

The Notes do not contain any restriction on the amount of securities which the Issuer may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with, the Notes. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by Holders on a Winding-Up and/or may increase the likelihood of a cancellation of interest under the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities with preferential rights to the Notes or securities with similar or different provisions to those set out herein.

1.7 ***The Issuer may at any time elect, and in certain circumstances shall be required, not to make payments of interest on the Notes***

The Issuer may at all times elect at its full discretion to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on any Interest Payment Date. Additionally, the Competent Authority has the power under Section 55M and 192C of the FSMA to restrict or prohibit payments by an issuer of interest to holders of Additional Tier 1 instruments (such as the Notes).

Furthermore, the Issuer will be required to cancel any Interest Amount (in whole or in part) otherwise scheduled to be paid on an Interest Payment Date to the extent that payment of such Interest Amount would: (i) when aggregated with other specified interest payments or distributions, exceed the Distributable Items of the Issuer as at such Interest Payment Date, (ii) result in the Solvency Condition not being satisfied with respect to payment of such Interest Amount (or part thereof) or; (iii) if and to the extent that such Interest Amount (or part thereof) would cause, when aggregated together with other distributions of the kind referred to in Rule 4.3(2) of Chapter 4 of the PRA Rulebook, the "maximum distributable amount" then applicable to the Group (as defined in the Conditions) to be exceeded.

Future legislation changes may include additional cancellation features that will require the Issuer to cancel Interest Amounts.

In addition, if a Trigger Event occurs, any accrued Interest Amounts shall be deemed to have been cancelled upon the occurrence of such Trigger Event.

With respect to cancellation of interest due to insufficient Distributable Items, see also "*The level of the Issuer's Distributable Items and its available funding is affected by a number of factors, and insufficient Distributable Items (or funding) will (or may) restrict the ability of the Issuer to make interest payments on the Notes*". below. With respect to cancellation of interest due to the application of a "maximum distributable amount", see also "*The Regulatory Capital Requirements impose capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Notes*" below.

Any Interest Amounts or part thereof not so paid on any such Interest Payment Date shall be cancelled and shall no longer be due and payable by the Issuer. A cancellation of an Interest Amount (or part thereof) in accordance with the Conditions will not constitute a default of the Issuer under the Notes for any purpose.

If the Issuer elects to cancel, or is prohibited from paying, Interest Amounts (or part thereof) at any time, there is no restriction (other than any relevant restriction imposed by any applicable law or regulation) on the Issuer from otherwise making distributions or any other payments to the holders of the ordinary shares of the Issuer or any other securities issued by any member of the Group, including securities ranking *pari passu* with or junior to the Notes. In determining the interim or final distributions (if any) to be declared in respect of the ordinary shares in respect of any given financial year, the board of directors of the Issuer (the "**Board**") will have regard to all relevant factors which it considers to be appropriate, including the profitability of the Issuer, its resources available for distribution and the capital and liquidity position of the Issuer at the time of declaring the distribution. The obligations of the Issuer under the Notes are senior in ranking to the ordinary shares of the Issuer. It is the Board's current intention that, whenever exercising its discretion to declare any distribution in respect of the ordinary shares, or its discretion to cancel interest on the Notes, the Board will take into account the relative ranking of these instruments in its capital structure or other of its AT1 securities. However, the Board may at any time depart from this policy at its sole discretion.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that the Common Equity Tier 1 Capital Ratio of the Group is trending towards the combined capital buffer requirement (the level at which the "maximum distributable amount" restriction under Chapter 4 of the PRA Rulebook and the terms and conditions becomes relevant) may have an adverse effect on the market price of the Notes.

1.8 ***The level of the Issuer's Distributable Items and its available funding is affected by a number of factors, and insufficient Distributable Items (or funding) will (or may) restrict the ability of the Issuer to make interest payments on the Notes***

The Issuer will be required to cancel any Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date to the extent that payment of such Interest Amount would, when aggregated with other specified interest payments or distributions, exceed the Distributable Items of the Issuer as at such Interest Payment Date. In addition, the Issuer may exercise its discretion to cancel any Interest Amount otherwise scheduled to be paid on any Interest Payment Date. Further details regarding distributable reserves of the Issuer is given in Note 6.5 to the financial statements in the 2023 Audited Financial Statements, which are incorporated by reference into these Listing Particulars. As at 30 September 2023, the Issuer had available distributable items of £1,044 million.

As a holding company, the level of the Issuer's Distributable Items will be affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items for the Issuer. The Issuer is also reliant on the receipt of distributions from its subsidiaries for funding the Issuer's payment obligations. Consequently, the level of the Issuer's Distributable Items and available funding, and therefore its ability to make interest payments on the Notes, are a function of the Issuer's existing Distributable Items, future profitability of the Group and the ability of the Issuer's operating subsidiaries to distribute or dividend profits up the Group structure to the Issuer. In addition, the Issuer's Distributable Items available for making payments to Holders may also be adversely affected by the servicing of other instruments issued by the Issuer or by Group subsidiaries.

The level of the Issuer's Distributable Items may be further affected by changes to regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer's Distributable Items in the future.

Further, the Issuer's Distributable Items and its available funding, and therefore the Issuer's ability to make interest payments under the Notes, may be adversely affected by the performance of the business of the Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control. Adjustments to earnings, as determined by the Board, may fluctuate significantly and may also materially adversely affect Distributable Items.

In addition, the ability of the Issuer's subsidiaries to make distributions and the Issuer's ability to receive distributions and other payments from its investments in other entities is subject to applicable laws and other restrictions, including such subsidiaries' respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws. For example, Clydesdale Bank is an institution regulated by the PRA and subject to the UK CRD regime, including capital and combined buffer requirements such as those described for the Group (see "*The Regulatory Capital Requirements impose capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Notes*"). Such laws and regulations could limit the payment of dividends, distributions and other payments to the Issuer by its subsidiaries, which could restrict the Issuer's available funding for meeting its obligations or funding other operations and may also restrict the Issuer's ability to maintain or increase its Distributable Items. These factors could, in turn, restrict the Issuer's ability to make interest payments on the Notes.

1.9 ***The Regulatory Capital Requirements impose capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Notes***

UK CRD (and rules made pursuant to the Financial Services Act 2021 and other relevant PRA rules and policy documents such as policy statement SS6/14) imposes capital buffer requirements that are additional to the Pillar 1 "own funds" requirement and are required to be met with common equity tier 1 capital. The capital buffers, as currently implemented in the UK, are: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer and (iv) the systemic risk buffer. Some or all of these buffers may be applicable to the Group from time to time as determined by a designated authority in the UK.

Furthermore, designated authorities in the UK may require additional capital to be held by an institution to cover its idiosyncratic risks which the supervisor assesses are not fully captured by the Pillar 1 "own funds" requirement. This additional capital requirement, referred to as "Pillar 2A", derives from the Issuer's individual capital guidance, which is a point in time assessment that, in respect of UK firms, is made by the PRA, at least annually, and is expected to vary over time. Under current PRA requirements, the Pillar 2A must be met with at least 56 per cent. common equity tier 1 capital and no more than 25 per cent. in tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 "own funds" and "Pillar 2A") cannot be counted towards meeting the "combined buffer requirement" (which is described below), meaning that the "combined buffer requirement" will effectively be applied above both the Pillar 1 "own funds" and "Pillar 2A" requirements.

Under Article 141 (*Restrictions on distributions*) of Directive 2013/36/EU as implemented in the UK under UK CRD, it is required that institutions that fail to meet the "combined buffer requirement" (broadly, as implemented in the UK, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer and the global systemically important institutions buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly by UK CRD as payments relating to common equity tier 1, variable remuneration and payments on additional tier 1 instruments).

The "combined buffer requirement", and the associated restrictions under Article 141 (*Restrictions on distributions*) of Directive 2013/36/EU as implemented in the UK under UK CRD (the "**Article 141 Restrictions**"), have applied since 1 January 2016. In the event of a breach of the "combined buffer requirement", the Article 141 Restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last decision on the distribution of profits or "discretionary payment" of the institution. Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement (as applicable at the level of the Group) the Issuer's discretionary payments will be restricted and the Issuer may exercise its discretion to cancel (in whole or in part) interest payments in respect of the Notes. As at 30 September 2023, the Group's IFRS 9 transitional CET1 ratio of 14.7 per cent. represented a buffer of 4.1 per cent. or circa £1,025 million in excess of its UK CRD CET1 regulatory minimum requirement of 10.7 per cent. (based on 30 September 2023 Pillar 1 requirement of 4.5 per cent., Pillar 2A CET1 requirement of 1.7 per cent. and capital conservation buffer of 2.5 per cent. and UK countercyclical capital buffer of 2.0 per cent.).

In addition to the Pillar 1 "own funds" requirement, the UK CRD buffers and the "Pillar 2A" requirement described above, there are additional tools that the PRA and other relevant authorities in the UK have available to them to require UK firms to hold additional capital to address micro-prudential or macro-prudential risks as assessed by the relevant authorities in the UK. These include: the "PRA buffer", which may be assessed by the PRA to cover risks over a forward-looking planning horizon, including with regard to firm-specific stresses or management and governance weaknesses; and "sectoral capital requirements", which is a macro-prudential tool available to the Financial Policy Committee (the "**FPC**") of the BoE in the UK as a means for the FPC temporarily to increase firms' capital requirements on exposures to specific sectors. Any failure to meet the PRA buffer could result in the preparation of a capital restoration plan. Such capital restoration plan may impose restrictions on discretionary payments, which may result in a need for management actions including the cancellation (in whole or in part) of interest payments in respect of the Notes.

Moreover, the PRA has a broad power under Section 55M of the FSMA to impose requirements on the Issuer, the effect of which could be to restrict or prohibit payments of interest on the Notes, which is most likely to materialise if at any time the Group is failing, or is expected to fail, to meet its capital requirements. If the PRA imposes such a requirement, the Issuer will exercise its discretion to cancel (in whole or in part, as required by the PRA) interest payments in respect of the Notes.

Separately, certain aspects of the UK regulatory regime may restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. For example, as described in "*The Group is subject to substantial and changing prudential regulation—Minimum requirement for own funds and eligible liabilities*" above, the Issuer must maintain an MREL requirement. Where a bank falls short of the total requirement for eligible liabilities, then, while there would not be an automatic restriction the PRA may use its powers to restrict or prohibit the firm from making distributions where such a measure is appropriate and proportionate in the circumstances. This may result in the reduction of discretionary payments (in whole or in part), including the cancellation (in whole or in part) of interest payments in respect of the Notes.

The Group's capital resources and requirements are, by their nature, calculated by reference to a number of factors, any one of which or combination of which may not be easily observable or capable of calculation by investors. See "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Capital Ratio of the Group*" for examples of the type of factors that can affect the Group's capital resources and requirements and how they are determined. In addition, changes in the application of UK CRD or any changes to such rules may also affect the Group's capital resources and requirements and how they are determined, see "*Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of a Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Notes*" below. Any such changes may increase the risk of the Issuer being bound by Article 141 Restrictions and, in turn, the risk of the Issuer exercising its discretion to cancel interest payments in respect of the Notes. Holders may not be able to predict accurately the proximity of the risk of discretionary payments on the Notes being prohibited from time to time as a result of the operation of the Article 141 Restrictions and/or the exercise by the PRA of its broad powers to impose prudential requirements on the Issuer. For further information, see the risk factor entitled "*The Group is subject to substantial and changing prudential regulation - Banking Reform Act and structural reform*".

1.10 *The Notes may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date*

The Notes may trade, and/or the prices for the Notes may appear, on the ISM and/or in other trading systems, with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

1.11 *The interest rate on the Notes will reset on each Reset Date, which is expected to affect the interest payable on the Notes and could affect the market value of the Notes*

The Notes will bear interest at the Initial Interest Rate from (and including) the Issue Date to (but excluding) the First Reset Date. On each Reset Date, the interest rate will be reset to the sum of the relevant Reset Reference Rate and the margin of 6.993 per cent. The relevant Reset Interest Rate could be less than the Initial Interest Rate which could affect the market value of an investment in the Notes.

1.12 *The Notes have no scheduled maturity and Holders do not have the right to cause the Notes to be redeemed or otherwise accelerate the repayment of the principal amount of the Notes except in very limited circumstances*

The Notes will be perpetual securities and have no fixed maturity date or fixed redemption date. Accordingly, the Issuer will be under no obligation to repay all or any part of the principal amount of the Notes, the Issuer has no obligation to redeem the Notes at any time and Holders have no right to call for their redemption or otherwise accelerate the repayment of the principal amount of the Notes (except in the very limited circumstances of automatic acceleration following a Winding-Up Event as provided in the conditions below under "*Terms and Conditions of the Notes—Non-Payment when Due and Winding-Up Event*").

1.13 ***The Notes are subject to early redemption upon the occurrence of certain events and at certain times***

Subject to having obtained Supervisory Permission and compliance with the Regulatory Preconditions, the Issuer may, at its option, redeem all (but not some only) of the Notes (i) at any time upon the occurrence of a Tax Event or a Regulatory Event; (ii) on any date from (and including) 8 December 2028 to (and including) the First Reset Date and on any date from (and including) the date falling six months prior to any Reset Date thereafter to (and including) such Reset Date or (iii) at any time if, as a result of purchases and subsequent cancellations, the outstanding aggregate principal amount of the Notes is less than or equal to 25 per cent. of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 18 (*Further Issues*) and consolidated with the Notes as the same series shall be deemed to have been originally issued), at their principal amount together with any Accrued Interest to the extent not cancelled.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

1.14 ***Upon the occurrence of a Trigger Event, Holders will lose all or some of the value of their investment in the Notes***

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Group. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Notes, and the proceeds of their issue, to be available to absorb any losses of the Issuer. Accordingly, a Trigger Event shall occur if the Common Equity Tier 1 Capital Ratio of the Group (calculated without applying any transitional provisions under the Regulatory Capital Requirements which are applicable at such time (unless such transitional provisions are permitted to be applied for these purposes under such Regulatory Capital Requirements)) falls below 7.00 per cent.

Upon the occurrence of a Trigger Event, an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary to be held on behalf of the Holders (or to the relevant recipient in accordance with terms of the Notes), and under no circumstances shall such released obligations be reinstated. As a result, Holders could lose all or part of the value of their investment in the Notes, as, following an Automatic Conversion, Holders will receive only (i) the Conversion Shares (if the Issuer does not elect that a Conversion Shares Offer be made) or (ii) the Conversion Shares Offer Consideration, which shall comprise Conversion Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects that a Conversion Shares Offer be made), and the realisable value of any Conversion Shares received may be significantly less than the Conversion Price. In addition, the realisable value of any Conversion Shares received could be substantially lower than that implied by the price paid for the Notes at the time of their purchase and, upon an Automatic Conversion, Holders will no longer have a debt claim in relation to the Notes.

Furthermore, upon the occurrence of an Automatic Conversion, the Holders will not be entitled to any compensation in the event of any improvement in the Group's Common Equity Tier 1 Capital Ratio after the Conversion Date.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. Accordingly, investors may be unable to predict accurately if and when a Trigger Event may occur. See "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Capital Ratio of the Group*" below.

The Notes may also be written off, written down, converted into ordinary shares of the Issuer or otherwise modified in a manner which is materially adverse to investors in circumstances where the BoE or any other resolution authority exercises powers under the UK recovery and resolution regime. See "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail, including the exercise by the relevant resolution authority of a variety of statutory resolution powers, could materially adversely affect the value of the Notes*" below.

1.15 ***Holders will bear the risk of changes in the Group's Common Equity Tier 1 Ratio***

The market price of the Notes is expected to be affected by changes in the Group's Common Equity Tier 1 Ratio. Any decline or perceived decline in the Common Equity Tier 1 Capital Ratio may have an adverse effect on the market price of the Notes, and such adverse effect may be particularly significant if there is any indication or expectation that the Common Equity Tier 1 Capital Ratio is, or may be moving towards, 7.00 per cent. See "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Capital Ratio of the Group*" and "*Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's Common Equity Tier 1 Ratio and thus increase the risk of a Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Notes*".

The Issuer intends to report publicly the Group's Common Equity Tier 1 Ratio only when public financial reporting is conducted, and therefore during the intervening periods there may be no published updates to the Group's Common Equity Tier 1 Ratio. In addition, there may be no prior warning of adverse changes in the Group's Common Equity Tier 1 Ratio. However, any indication that the Group's Common Equity Tier 1 Ratio is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.

1.16 ***The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Capital Ratio of the Group***

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside the control of the Issuer. Although the Issuer intends to report publicly the Group's Common Equity Tier 1 Capital Ratio only when public financial reporting is conducted, a Trigger Event may occur at any time. The PRA, as part of its supervisory activity, may instruct the Issuer to calculate such ratio at any time, including when the Issuer is subject to recovery and resolution actions by the Resolution Authority, or the Issuer may otherwise at any time calculate such ratio at its own discretion.

The Group's Common Equity Tier 1 Capital Ratio may fluctuate between public financial reporting periods. The calculation of such ratio could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting its earnings, distributions payments by the Issuer, regulatory changes (including changes to definitions and calculations of the Common Equity Tier 1 Capital Ratio and its components, including Common Equity Tier 1 and Risk Weighted Assets) and the Group's ability to manage its Risk Weighted Assets. Actions that the Issuer takes could also affect its Common Equity Tier 1 Ratio, including causing it to decline. For example, any growth in the Risk Weighted Assets may result in a reduction in the Common Equity Tier 1 Ratio if not matched by an increase in the Common Equity Tier 1 Capital at a corresponding rate.

The calculation of the Group's Common Equity Tier 1 Capital Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as at the relevant calculation date, the PRA could require the Issuer to reflect such changes in any particular calculation of the Group's Common Equity Tier 1 Capital Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Group's calculations of regulatory capital, including Common Equity Tier 1 and Risk Weighted Assets and the Group's Common Equity Tier 1 Capital Ratio.

Because of the inherent uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, a Trigger Event and subsequent Automatic Conversion may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Trigger Event and subsequent Automatic Conversion may occur can be expected to have a material adverse effect on the liquidity and/or market price of the Notes.

1.17 ***The Group's Common Equity Tier 1 Capital Ratio and, more generally, its overall capital position will be affected by the Group's business decisions and, in making such decisions, the Group's interests may not be aligned with those of the Holders***

As discussed in "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Capital Ratio of the Group*" above, the Group's Common Equity Tier 1 Capital Ratio and, more generally, its overall respective capital position could be affected by a number of factors, including the Group's decisions relating to its businesses and operations, as well as the management of its capital position. Neither the Issuer nor any member of the Group will have any obligation to consider the interests of the Holders in connection with its strategic decisions, including in respect of its capital management. Holders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including the Group's capital position, regardless of whether they result in the occurrence of a Trigger Event or a cancellation of interest payments in respect of the Notes. Such decisions could cause the Holders to lose all or part of the value of their investment in the Notes.

1.18 ***Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of a Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Notes***

For the purposes of the Notes, the Issuer will determine the Group's Common Equity Tier 1 Capital and Risk Weighted Assets without applying the transitional provisions under the Regulatory Capital Requirements which are applicable at such time (unless such transitional provisions are permitted to be applied for these purposes under such Regulatory Capital Requirements). Accordingly, the Issuer's CET1 Ratio may be lower than if it were to calculate the CET1 Ratio applying any relevant transitional provisions. For more information on the Group's capital position see "*Information on the Group – Capital*". For the purposes of the Notes, the calculation by the Group's Common Equity Tier 1 Capital Ratio (based on its interpretation of the Regulatory Capital Requirements) at any time is binding on the Trustee and the Holders.

The calculation of the CET1 Ratio may be impacted as a result of changes to the UK prudential regulatory regime, The Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020, or changes to the PRA rules or the way in which the PRA applies these requirements to UK banks, whether through the implementation of material discretions or as a result of a more material deviation in regulatory alignment between the UK and the EU.

Regulatory initiatives may impact the calculation of the Group's Risk Weighted Assets, being the denominator of the Common Equity Tier 1 Capital Ratio. For example, the Basel Committee has continued its post-crisis work on Risk Weighted Assets and leverage reform. In December 2017, "*Basel III: Finalising post-crisis reforms*" was published, setting out the Basel Committee's

finalisation of the Basel 3.1 framework (the "**BCBS package**"). Broadly, the finalised BCBS package aims to: (i) strengthen risk sensitivity and comparability in credit risk by adopting minimum "input" floors for certain metrics; (ii) introduce a standardised approach to credit valuation adjustment risk; (iii) introduce a standardised approach to operational risk; (iv) provide safeguards against unsustainable levels of leverage by adding a leverage ratio buffer for global systemically important banks; and (v) ensure that banks' "output" floors can be calculated as being 72.5 per cent. of total Risk Weighted Assets. The date of implementation for most of the proposed reforms listed above was set at 1 January 2022. However, the Basel Committee has chosen to bring the output floor requirements into force over the course of an added five-year phased implementation period post 1 January 2022, ending on 1 January 2027. In March 2020, the oversight body of the Basel Committee on Banking Supervision, the Group of Central Bank Governors and Heads of Supervision announced that it has endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the COVID-19 pandemic on the global banking system, including the deferral by one year to 1 January 2023 of the implementation date of most of the proposed reforms listed above and the deferral by one year to 1 January 2028 of the implementation period for the accompanying transitional arrangements for the output floor. Further the EU has now confirmed it will now delay implementation to 1 January 2025.

The PRA released a Consultation Paper on UK implementation of Basel 3.1 (as defined herein) in November 2022 and announced on 27 September 2023 that following this consultation (i) the UK implementation date of the final Basel 3.1 policies would be moved from the previously proposed date of 1 January 2025 to 1 July 2025 and that the transitional period would be reduced to 4.5 years to ensure full implementation by 1 January 2030 and (ii) the publication of its near-final Basel 3.1 policy statements would be split in two to allow appropriate time to fully consider the responses to the credit risk and output floor proposals included in the Consultation Paper (see further "*Regulatory Developments—Prudential Regulation—Basel 3.1*"). On this basis, there remains uncertainty as to the policies on market risk, credit valuation adjustment risk, counterparty credit risk, operational risk, credit risk, the output floor and reporting and disclosure requirements. The policies adopted by the PRA, either individually and/or in aggregate, may lead to further unexpected, enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

The calculation of the Common Equity Tier 1 Capital Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Accordingly, regulatory changes or accounting changes may have a material adverse impact on the Group's calculations of regulatory capital, including Common Equity Tier 1 Capital and Risk Weighted Assets of the Group, and its fully loaded Common Equity Tier 1 Capital Ratio.

Therefore, any changes that may occur in the application of the regulatory framework described above subsequent to the date of these Listing Particulars and/or any subsequent changes to such rules and other variables may individually and/or in the aggregate negatively affect the Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of a Trigger Event, which will lead to an Automatic Conversion, as a result of which a Holder could lose all or part of the value of its investment in the Notes.

For further information, see also the risk factor entitled "*The Group is subject to substantial and changing prudential regulation - Minimum requirement for own funds and eligible liabilities*".

1.19 ***As the Conversion Price is fixed at the time of issue of the Notes, Holders will bear the risk of fluctuations in the market price of the Conversion Shares***

Because a Trigger Event will only occur at a time when the Group's Common Equity Tier 1 Ratio has deteriorated significantly, a Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Trigger Event. Therefore, following a Trigger Event, the realisable value of the Conversion Shares may be below the Conversion Price. The Conversion Price is fixed at the time of issue of the Notes at £1.19 per Conversion Share, and is subject to certain anti-dilution adjustments, as described under " *Holders do not have anti-dilution protection in all circumstances*". below. As a result, the

Conversion Price may not reflect the market price of ordinary shares of the Issuer, which could be significantly lower than the Conversion Price.

In addition, there may be a delay in a Holder receiving its Conversion Shares following a Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the Conversion Shares Offer Period may last up to 40 Business Days after the delivery of the Conversion Shares Offer Notice), during which time the market price of the ordinary shares of the Issuer may further decline.

1.20 ***Issuance of the Conversion Shares to the Conversion Shares Depositary shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes***

Upon an Automatic Conversion, the Issuer shall issue the Conversion Shares to the Conversion Shares Depositary, which will hold the Conversion Shares on behalf of the Holders. Issuance of the Conversion Shares to the Conversion Shares Depositary shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes. **Provided that** the Issuer issues the Conversion Shares to the Conversion Shares Depositary in accordance with the terms of the Notes, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depositary for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such Holders are entitled.

In addition, the Issuer has not, as at the Issue Date, appointed a Conversion Shares Depositary and the Issuer may not be able to appoint a Conversion Shares Depositary if an Automatic Conversion occurs. In such a scenario, the Issuer would give notice to the Holders and the Trustee in accordance with the Conditions of any alternative arrangements as it shall consider reasonable in the circumstances in connection with the issuance and/or delivery of the Conversion Shares and such arrangements may be disadvantageous to, and more restrictive on, the Holders. For example, such arrangements may involve Holders having to wait longer to receive their Conversion Shares than would be the case under the arrangements expected to be entered into with a Conversion Shares Depositary. Under these circumstances, the Issuer's issuance of the Conversion Shares to the relevant recipient in accordance with these alternative arrangements shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

1.21 ***Holders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period***

Holders may not ultimately receive Conversion Shares upon a Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary.

The Conversion Shares Offer may be conducted at the election of the Issuer, in its sole and absolute discretion, on the terms set out in the Conditions. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's financial stability.

If the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary and all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Note, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note. If some but not all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Note, (a) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note together with (b) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares. In each case, the cash component of any

Conversion Shares Offer Consideration shall be subject to deduction of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer.

No interest or other compensation is payable in respect of the period elapsed from the Conversion Date to the date of delivery of cash sums or Conversion Shares in the circumstances described above.

Furthermore, the Issuer or the Conversion Shares Depository will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, Holders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

1.22 ***Following an Automatic Conversion, the Notes will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository and the rights of the Holders will be limited accordingly***

Following an Automatic Conversion, the Notes will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository. All obligations of the Issuer under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Notes) on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Notes shall be cancelled on the applicable Cancellation Date.

Although the Issuer currently expects that beneficial interests in the Notes will be transferable between the Conversion Date and the Suspension Date, there is no guarantee that an active trading market will exist for the Notes following the Automatic Conversion. Accordingly, the price received for the sale of any beneficial interest under a Note during this period may not reflect the market price of such Note or the Conversion Shares. Furthermore, transfers of beneficial interests in the Notes may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Notes is suspended by a Clearing System at an earlier time than currently expected. In such a situation it may not be possible to transfer beneficial interests in the Notes in such Clearing System and trading in the Notes may cease through such Clearing System.

In addition, the Issuer expects that each of the Clearing Systems will suspend all clearance and settlement of transactions in the Notes on the Suspension Date. As a result, Holders will not be able to settle the transfer of any Notes through such Clearing System following the Suspension Date, and any sale or other transfer of the Notes that a Holder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

The Notes may cease to be admitted to trading on the ISM before or after the Suspension Date.

Moreover, although the Holders will become beneficial owners of the Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depository and the Conversion Shares will be registered in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Notes), no holder will be able to sell or otherwise transfer any Conversion Shares until such time as they are finally delivered to such holder and registered in their name.

1.23 ***Holders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable***

In order to obtain delivery of the relevant Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver a Conversion Shares Settlement Notice (and the relevant Notes, if applicable) to the Conversion Shares Depository. The Conversion Shares Settlement Notice must contain certain information, including the holder's CREST account details. Accordingly, Holders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable. If a Holder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, the Conversion Shares Depository shall continue to hold the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration until a Conversion Shares Settlement Notice (and the relevant Notes, if applicable) is (or are) so delivered. However, the relevant Notes shall be cancelled on the Final Cancellation Date and any Holder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration). The Issuer shall have no liability to any Holder for any loss resulting from such Holder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Notes, if applicable, on a timely basis or at all.

1.24 ***Holders do not have anti-dilution protection in all circumstances***

The number of Conversion Shares to be issued to the Conversion Shares Depository upon an Automatic Conversion will be the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date divided by the Conversion Price prevailing on the Conversion Date (rounded down to the nearest whole number of Conversion Shares). The Conversion Price will be adjusted if there is a consolidation, reclassification or subdivision of the Issuer's ordinary shares, an issuance of ordinary shares in certain circumstances by way of capitalisation of profits or reserves, a rights issue, an Extraordinary Dividend or a Qualifying Takeover Event (but only in the situations and only to the extent provided in "*Terms and Conditions of the Notes—Adjustments to the Conversion Price*"). There is no requirement that there should be an adjustment for every corporate or other event that may affect the market price of the Conversion Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of voluntarily convertible securities. Accordingly, the occurrence of events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Notes.

1.25 ***If a Takeover Event occurs, the Notes may be convertible into shares in an entity other than the Issuer***

If a Takeover Event is a Qualifying Takeover Event (and, on the Conversion Date, the shares of the Acquirer continue to be Approved Entity Shares), then following an Automatic Conversion the Notes shall become convertible or exchangeable into the Approved Entity Shares of the Acquirer at the New Conversion Price as provided under "*Terms and Conditions of the Notes—Adjustments to the Conversion Price—Qualifying Takeover Event*". There can be no assurance as to the nature of any such Acquirer, that shares designated as Approved Entity Shares will continue to be Approved Entity Shares on the Conversion Date (and as such, whether a Qualifying Takeover Event shall remain a Qualifying Takeover Event), or of the risks associated with becoming an actual or potential shareholder in such Acquirer and, accordingly, a Qualifying Takeover Event may have an adverse effect on the value of the Notes.

In addition, the Issuer has considerable discretion in determining whether a Qualifying Takeover Event has occurred. A Qualifying Takeover Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied, among other requirements, the Issuer must determine, in its sole and absolute discretion, that the arrangements to deliver Approved Entity Shares following an Automatic Conversion are in place and that such arrangements would be in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with

applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body). Therefore, the Issuer may consider factors other than the interests of Holders in determining whether the New Conversion Condition is satisfied.

In the case of a Takeover Event that is not a Qualifying Takeover Event (including if that is because the Acquirer is a Governmental Entity or because on the Conversion Date the Acquirer's Shares are not Approved Entity Shares), with effect from the occurrence of the Takeover Event (or the date on which the Acquirer's Shares cease to be Approved Entity Shares) and unless a Conversion Date shall have occurred prior to the date of such Takeover Event (or the date on which the Acquirer's Shares cease to be Approved Entity Shares), outstanding Notes shall not be subject to Automatic Conversion into shares of the Acquirer at any time notwithstanding that a Trigger Event may occur subsequently but instead, upon the occurrence of a subsequent Trigger Event (if any) (or where the Conversion Date occurs on or after the date of such Takeover Event) the Notes shall be converted into ordinary shares in the Issuer in accordance with Condition 9(a) (*Automatic Conversion – Automatic Conversion on a Trigger Event*) as if no Takeover Event had occurred.

Approved Entity Shares means ordinary shares in the capital of a body corporate that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) which are listed and admitted to trading on a Recognised Stock Exchange **provided that** ordinary shares shall not be Approved Entity Shares if the conversion, or possible conversion, of the Notes into those ordinary shares would have an effect of the kind referred to in either of paragraphs (ii) or (iii) of Condition 8(d) (*Redemption and Purchase; Substitution and Variation – Redemption for tax reasons*) on the Issuer (an "**Adverse Tax Effect**") and such Adverse Tax Effect arises as a consequence of the fact that the Notes would not be "hybrid capital instruments" for the purposes of Section 475C of the Corporation Tax Act 2009; and ordinary shares shall cease to be Approved Entity Shares if such ordinary shares are initially Approved Entity Shares, but subsequently would have an Adverse Tax Effect on or before the Conversion Date.

There can be no assurance that a Takeover Event will be a Qualifying Takeover Event or that the Acquirer's Shares will continue to be Approved Entity Shares after the Issuer has determined that a Qualifying Takeover Event has occurred.

Further, a Takeover Event shall occur only where the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in an Acquirer (together with any associate). There can be no assurance that the acquisition by an Acquirer of the right to cast 50 per cent. or less of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer will not have an adverse effect on the value of the Notes.

1.26 ***Holders may be subject to disclosure obligations, take-over requirements and/or may need approval from the Issuer's regulator under certain circumstances***

As the Holders may receive Conversion Shares if a Trigger Event occurs, an investment in the Notes may result in Holders having to comply with certain disclosure, take-over and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches, exceeds or falls below 3 per cent. and every percentage point thereafter.

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of regulated group entities, under the laws of the UK and other jurisdictions, ownership of the Notes themselves (or the Conversion Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its

legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Trigger Event.

- 1.27 ***Prior to the Conversion Date, Holders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares***

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and the exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depository (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under "*Terms and Conditions of the Notes—Automatic Conversion*". Prior to such issuance, registration and delivery, Holders will be subject to all changes made with respect to the Issuer's ordinary shares.

- 1.28 ***As a result of Holders receiving Conversion Shares upon the occurrence of a Trigger Event, they are particularly exposed to changes in the market price of the Issuer's ordinary shares***

In general, investors in convertible or exchangeable securities may seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities. Prospective investors in the Notes may look to sell ordinary shares of the Issuer in anticipation of taking a position in, or whilst holding, the Notes. This could drive down the price of the Issuer's ordinary shares. Since the Notes will mandatorily convert into Conversion Shares upon the occurrence of a Trigger Event, the price of the Issuer's ordinary shares may be more volatile if the Issuer is trending toward a Trigger Event.

2. **Risks relating to the Notes generally**

- 2.1 ***Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail, including the exercise by the relevant resolution authority of a variety of statutory resolution powers, could materially adversely affect the value of the Notes***

The Banking Act provides for the BoE to implement various resolution measures and stabilisation actions (including but not limited to the bail-in tool). If the Issuer were made subject to the exercise of any such stabilisation actions, the Resolution Authority may exercise extensive share transfer powers (applying to a wide range of securities, including the Notes) and property transfer powers (including powers for partial transfers of property, rights and liabilities) subject to certain protections in respect of the Issuer. Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (including the Notes) without the consent of the Holders.

The Banking Act also provides for additional insolvency and administration procedures for relevant entities and for certain ancillary powers such as the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Notes), powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the Resolution Authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of any Notes and could lead to Holders losing some or all of the value of their investment in the Notes. See "*Regulatory Developments – The Banking Act and the SRR*" for more information regarding such resolution powers.

- 2.2 ***Holders should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort***

The SRR is designed to be triggered prior to insolvency of the Issuer, and Holders may not be able to anticipate the exercise of any resolution power (including the bail-in tool) by the Resolution Authority.

Holders should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort after the UK resolution authorities have assessed and used, to the maximum extent practicable, the resolution tools, including the bail-in tool (described below).

2.3 ***Resolution powers triggered prior to insolvency may not be anticipated and Holders may have only limited rights to challenge them***

Although the Banking Act provides specific conditions to the exercise of any resolution powers, it is uncertain how the Resolution Authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and/or other members of the Group and in deciding whether or how to exercise a resolution power. There can be no assurance that the taking of any actions under the Banking Act by the Resolution Authority or the manner in which its powers under the Banking Act are exercised will not materially adversely affect the rights of holders of the Notes, the market value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

The Resolution Authority is also not required to provide any advance notice to Holders of its decision to exercise any resolution power. Therefore, Holders 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, the Group and the Notes.

Furthermore, Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the Resolution Authority to exercise its resolution powers (including the bail-in tool) or to have that decision reviewed by a judicial or administrative process or otherwise. See "*Regulatory Developments – The Banking Act and the SRR*" for more information regarding such resolution powers.

2.4 ***The Resolution Authority may exercise the bail-in tool in respect of the Issuer and the Notes, which may result in Holders losing some or all of their investment***

Where the relevant statutory conditions for use of the bail-in tool have been met, the Resolution Authority would be expected to exercise these powers without the consent of the Holders. The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under UK CRD (as defined in the Conditions) and otherwise respecting the hierarchy of claims in an ordinary insolvency. Any such exercise of the bail-in tool in respect of the Issuer and the Notes may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of the Notes into shares or other Notes or other obligations of the Issuer or another person, or any other modification or variation to the terms of the Notes.

The exercise of the bail-in tool in respect of the Issuer and the Notes or any suggestion of any such exercise could materially adversely affect the rights of the Holders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to Holders losing some or all of the value of their investment in such Notes. The bail-in tool contains an express safeguard (known as "no creditor worse off") with the aim that shareholders and creditors receive no less favourable treatment than they would have received in ordinary insolvency proceedings. However, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly.

2.5 ***Mandatory write-down and conversion of capital instruments may affect the Notes***

In addition, the Banking Act requires the Resolution Authority to permanently write-down, or convert into equity, tier 1 capital instruments (such as the Notes), tier 2 capital instruments and (in certain circumstances) internal eligible liabilities at the point of non-viability of the relevant entity and before, or together with, the exercise of any resolution powers conferred by the SRR (except in the case where the bail-in tool is to be utilised in a resolution for other liabilities, in which case such capital instrument or internal eligible liabilities would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory

write-down and conversion power). Holders of the Notes may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment. The 'no creditor worse off' safeguard would not apply in relation to an application of such powers to capital instruments (such as the Notes) in circumstances where resolution powers are not also exercised however the hierarchy of creditors would be respected when exercising such mandatory write-down and conversion power pursuant to Section 6B of the Banking Act. The exercise of such mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of Holders of the Notes, the price or value of their investment in such Notes and/or the ability of the Issuer to satisfy its obligations under such Notes. See "*The Issuer is a holding company*" above for a description of the rights of the Issuer to participate in the assets of its subsidiaries and the effect of the exercise of such mandatory write-down and conversion power in respect of such subsidiaries.

2.6 *Holders 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 any of the Notes, each Holder 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 any UK Bail-in Power by the Resolution Authority, that may include and 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 in respect of the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; (iii) the cancellation of the Notes; (iv) the amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period. Each Holder further acknowledges, accepts, consents and agrees to be bound by the variation of the terms of the Notes, 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 Holders losing all or a part of the value of their investment in the Notes or receiving a different security from the Notes, which may be worth significantly less than the Notes 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 Holders. In addition, under the Conditions, the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes will not constitute a default for any purpose. See also "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail, including the exercise by the relevant resolution authority of a variety of statutory resolution powers, could materially adversely affect the value of the Notes*" above.

2.7 *Changes in law may adversely affect the rights of Holders*

Changes in law after the date hereof, including broad powers under Section 75 of the Banking Act 2009 which may be used in connection with resolution, may affect the rights of Holders as well as the market value of the Notes. The Conditions are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, any change in law or regulation that triggers a Tax Event or a Regulatory Event would entitle the Issuer, at its option (subject to, amongst other things, receipt of the prior consent of the Competent Authority (if such consent is then required by the prevailing prudential requirements, to purchase, redeem, substitute or vary the terms of the Notes, in whole but not in part, as provided under Condition 8(c) (*Redemption for regulatory reasons*) or Condition 8(d) (*Redemption for tax reasons*) or Condition 8(f) (*Substitution or Variation*), as the case may be)).

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the

Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

The financial services industry has been and continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies. Such regulatory changes and the resulting actions taken to address such regulatory changes may include higher capital and additional loss absorbency requirements and increased powers of competent authorities which together may have an adverse impact on the Group's and may therefore affect the Issuer's, performance and financial condition. It is not possible to predict changes to legislation or regulatory rulemaking or the ultimate consequences of any such changes to the Group or the Holders, which could be material to the rights of Holders and/or the ability of the Issuer to satisfy its obligations under the Notes.

2.8 ***A downgrade of the credit rating assigned by any credit rating agency to the Issuer or to the Notes could adversely affect the liquidity, market value or index eligibility of the Notes. Credit ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies***

The Notes are expected to be rated by credit rating agencies and may in the future be rated by additional credit rating agencies (be they solicited or unsolicited), although the Issuer is under no obligation to ensure that the Notes are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be assigned, revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or the Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Group's key markets; the level of political support for the industries in which the Group operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to an issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting the Issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to the Issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or the Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value or index eligibility of the Notes (whether or not the Notes had an assigned rating prior to such event). Moreover, any decision by a credit rating agency to assign a new rating to the Issuer and/or, if applicable, the Notes (be it solicited or unsolicited), may adversely affect the liquidity, market value or index eligibility of the Notes (whether or not the Notes had an assigned rating prior to such event).

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the

UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

As such, if the status of a rating agency rating the Notes changes or the rating is not endorsed by a credit rating agency registered under the EU CRA Regulation or UK CRA Regulation, as applicable, European regulated investors and/or UK regulated investors, as applicable, may no longer be able to use the rating for regulatory purposes. In both cases, any such change could cause the Notes to be subject to different regulatory treatment. This may result in such European regulated investors or UK regulated investors, as applicable, selling the Notes, which may impact the value of the Notes and any secondary market.

2.9 ***The Notes are not expected to be investment grade and are subject to the risks associated with non-investment grade securities***

The Notes, upon issuance, are not expected to be investment grade securities, and as such will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Notes.

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

The Notes will be represented by the Global Certificate which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to the common depository. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holder of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

2.11 ***The Trust Deed will contain provisions which may permit modification of the Notes without the consent of all Holders***

The Trust Deed will contain provisions for calling meetings of Holders to consider matters affecting interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. See also "*The Notes may be substituted or the terms of the Notes may be varied following a Regulatory Event or a Tax Event*".

The Conditions also provide that the Trustee may, subject to certain exceptions and Condition 16(c) (*Supervisory Permission*) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement which, in each case, in the opinion of the Trustee is not materially prejudicial to the interest of the Holders or, in the case of a modification, in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error.

Accordingly, there is a risk that the terms of the Notes, the Conditions or the Trust Deed may be modified, waived or amended in circumstances where a Holder does not agree to such modification, waiver or amendment, which may adversely impact the rights of such Holder.

3. **Risks relating to the market generally**

3.1 ***There is no active trading market for the Notes***

The Notes are new securities for which no active trading market may develop. 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, or perception, of the Issuer. Although application has been made for the Notes to be admitted to trading on the ISM, there is no assurance that such application will be accepted, that the Notes will be so admitted, or that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Notes. In addition, liquidity may be limited if large allocations of the Notes are made to a limited number of investors.

3.2 ***The trading market for debt securities may be volatile and may be adversely impacted by many events***

The market for debt securities issued by the Issuer is influenced by economic, political and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates. If the secondary market for the Notes is limited, there may be few buyers, and this may reduce the market price of the Notes. There can be no assurance that events in the United Kingdom or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect on the Notes.

3.3 ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in Sterling. 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 Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Sterling 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 Sterling would decrease (A) the Investor's Currency equivalent yield on the Notes; (B) the Investor's Currency equivalent value of the principal payable on the Notes; and (C) the Investor's Currency equivalent market value of the Notes.

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

3.4 ***Minimum Denomination***

As the Notes will have a denomination consisting of the minimum denomination plus an integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £200,000 (or its equivalent) that are not integral multiples of £200,000 (or its equivalent). In such case a Holder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. Further, a Holder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at, or in excess of, the minimum denomination such that its holding amounts to the minimum denomination.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes substantially as they will appear in the trust deed constituting the Notes.

The £350,000,000 11.000 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further Notes issued pursuant to Condition 18 which are consolidated and form a single series with the Notes) of Virgin Money UK PLC (the "**Issuer**") are constituted by a trust deed dated 8 December 2023 (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons from time to time being trustee or trustees appointed under the Trust Deed) as trustee for the Holders.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the agency agreement dated 8 December 2023 (as amended and/or restated and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Registrar and the other Agents and the Trustee (i) are available for inspection during normal business hours by prior arrangement by the Holders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB or (ii) may be provided by email to a Holder following its prior written request to the Principal Paying Agent, in each case upon provision of proof of holding of Notes and identity (in a form satisfactory to the Principal Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1. **FORM, DENOMINATION AND TITLE**

The Notes are issued in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof (each, an "**Authorised Denomination**").

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

Title to the Notes shall pass by registration in the register of the Holders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the Holder. In these Conditions, "**Holder**" and (in relation to a Note) "**Holder**" means the person in whose name a Note is registered in the register of Holders (or, in the case of a joint holding, the first named thereof).

2. **TRANSFER OF NOTES**

(a) *Transfer of Notes*

One or more Notes may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. A new Certificate shall be issued to the transferee in respect of the Notes the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate

representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

(b) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the relevant Certificate. Delivery of new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery and surrender of such form of transfer and Certificate or, as the case may be, surrender of such Certificate, shall have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b) "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Register (as the case may be).

(c) *Transfers Free of Charge*

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

(d) *Closed Periods*

No Holder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the date fixed for redemption of the Notes pursuant to Condition 8, (ii) at any time after the second Business Day following the giving of an Automatic Conversion Notice by the Issuer or (iii) during the period of seven days ending on (and including) any Record Date.

3. **STATUS**

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu*, without any preference among themselves. In the event of a Winding-Up of the Issuer, the rights and claims of the Holders in respect of or arising from the Notes (including any damages (if payable)) are subordinated to the claims of Senior Creditors.

4. **SUBORDINATION**

(a) *Solvency Condition*

Except in a Winding-Up of the Issuer and subject to the right or obligation of the Issuer to cancel payments under Condition 6(a) and the provisions of Condition 9, all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Notes (and any such payments will be deemed cancelled) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

In these Conditions, the Issuer shall be considered to be solvent at a particular time if (x) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (y) the Balance Sheet Condition has been met.

The "**Balance Sheet Condition**" shall be satisfied in relation to the Issuer if the value of its assets is at least equal to the value of its liabilities (taking into account its contingent and prospective liabilities), according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which the Issuer may be organised) in determining whether the Issuer is "unable to pay its debts" under section 123(2) of the UK Insolvency Act 1986 or any amendment or re-enactment thereof (or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which the Issuer may be organised).

A certificate as to the solvency of the Issuer signed by two Authorised Signatories shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders as correct, conclusive and sufficient evidence thereof.

Any payment of interest not due by reason of this Condition 4(a) shall be deemed cancelled as provided in Condition 6(a).

(b) *No set-off*

Subject to applicable law, no Holder may exercise or claim or plead any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes or the Trust Deed and each Holder will, by virtue of their holding of any Note, be deemed, to the fullest extent permitted by applicable law, to have waived all such rights of set-off, compensation, retention or netting. Notwithstanding the preceding sentence, if any of the amounts due and payable to any Holder by the Issuer in respect of, or arising under or in connection with the Notes is discharged by set-off, compensation, retention or netting, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(c) *Effect on the Trustee*

As stated in further detail in Condition 17(e), the provisions of this Condition 4 apply only to the principal and interest and any other amounts payable in respect of the Notes and nothing in this Condition 4 or in Conditions 5, 7 or 13 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

5. **WINDING-UP**

(a) *Winding-Up prior to a Trigger Event*

If:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Holders and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);
- (ii) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or

- (iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009,

(each, a "**Winding-Up**") prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer, but subject as provided in this Condition 5(a)), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") ranking *pari passu* as to a return of assets on a winding-up with Parity Obligations and that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations in respect of such Note.

- (b) *Winding-Up with or after the occurrence of a Trigger Event*

If a Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of such number of Conversion Shares as that Holder would have been entitled to receive upon an Automatic Conversion in accordance with Condition 9.

6. **INTEREST**

- (a) *Cancellation of interest*

Mandatory cancellation of interest- insufficient Distributable Items

To the extent required to do so under the then prevailing Regulatory Capital Requirements, the Issuer will cancel any Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date and such Interest Amount (or part thereof) will not be due to the extent that such Interest Amount (or part thereof), when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Issuer (excluding any such interest payments or distributions which are not required to be paid or made out of Distributable Items or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date.

Mandatory Cancellation of Interest – Maximum Distributable Amount

To the extent required to do so under the then prevailing Regulatory Capital Requirements, the Issuer will cancel any Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date if and to the extent that such Interest Amount (or part thereof) would cause, when aggregated together with other distributions of the kind referred to in Rule 4.3(2) of chapter 4 ("**Chapter 4**") of the "*CRR Firms – Capital Buffers*" part of the PRA Rulebook (or any succeeding provision amending or replacing such rule), the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. "**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Group required to be calculated in

accordance with Chapter 4 (or any succeeding Regulatory Capital Requirements amending or replacing such chapter). The Issuer shall be responsible for determining compliance with the restrictions above and neither the Trustee nor any Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

Mandatory cancellation of interest – Solvency Condition

The Issuer will cancel any Interest Amount (or part thereof) otherwise scheduled to be paid on an Interest Payment Date to the extent that the Solvency Condition is not satisfied in respect of such Interest Amount (or part thereof).

The Issuer shall be responsible for determining compliance with the restrictions above and neither the Trustee nor any Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

Discretionary cancellation of interest

In addition to and subject to the mandatory non-payment of interest pursuant to Condition 4(a), the foregoing provisions of this Condition 6(a) and Condition 9, the Issuer may at all times elect at its full discretion to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on any Interest Payment Date.

Non-payment of interest sufficient evidence of cancellation

If the Issuer does not pay an Interest Amount or part thereof on the relevant Interest Payment Date, such non-payment shall evidence either the non-payment and cancellation of such Interest Amount (or relevant part thereof) by reason of it not being due in accordance with Condition 4(a), the cancellation of such Interest Amount (or relevant part thereof) in accordance with this Condition 6(a) or with Condition 9 or, as appropriate, the Issuer's exercise of its discretion to cancel such Interest Amount (or relevant part thereof) in accordance with this Condition 6(a), and accordingly such interest shall not in any such case be due and payable.

If the Issuer provides notice to cancel a part, but not all, of an Interest Amount and the Issuer subsequently does not make a payment of the remaining part of such Interest Amount on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining part of the Interest Amount, and accordingly such remaining portion of the Interest Amount shall also not be due and payable.

Notice of cancellation of interest

The Issuer shall provide notice of any cancellation of an Interest Amount (or part thereof) to the Holders (in accordance with Condition 15), the Trustee and the Agents as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Any failure to provide such notice shall not affect the cancellation of any Interest Amount (or any part thereof) by the Issuer and shall not constitute a default for any purpose.

Interest non-cumulative

The non-payment or cancellation of any Interest Amount (or any part thereof) in accordance with Condition 4(a), this Condition 6(a) or Condition 9 shall not constitute a default for any purpose (including, without limitation, Condition 13) on the part of the Issuer. For the avoidance of doubt, interest payments are non-cumulative and the Holders shall have no right to any cancelled Interest Amount, whether under the Notes or the Trust Deed, on a Winding-Up or otherwise. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

(b) *Interest Rate and Interest Payment Dates*

The Notes bear interest on their outstanding principal amount:

- (i) from and including the Issue Date to but excluding 8 June 2029 (the "**First Reset Date**"), at the rate of 11.000 per cent. per annum (the "**Initial Interest Rate**"); and
- (ii) thereafter, at the relevant Reset Interest Rate,

which interest is, in each case, payable, subject to Conditions 4(a), 6(a), 7 and 9, semi-annually in arrear on 8 June and 8 December of each year (each an "**Interest Payment Date**"). The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**".

(c) *Calculation of interest*

Interest in respect of any Note shall be calculated per Calculation Amount. Subject to the paragraph below, the amount of interest payable (subject to Conditions 4(a), 6(a), 7 and 9) in respect of a Note for any period of time shall be calculated by (i) determining the product of the Calculation Amount, the relevant Interest Rate and the Day-Count Fraction for the relevant period, (ii) rounding the resultant figure to the nearest penny (half a penny being rounded upwards) and (iii) multiplying that rounded figure by a fraction the numerator of which is the principal amount of such Note and the denominator of which is the Calculation Amount.

Subject to Conditions 4(a), 6(a), 7 and 9, the Interest Amount payable in respect of any Interest Period commencing prior to the First Reset Date will (if paid in full) amount to £55.00 per Calculation Amount.

(d) *Reset Interest Rate*

The "**Reset Interest Rate**" in respect of any Reset Period will be the rate of interest determined by the Agent Bank on the relevant Reset Determination Date as the sum of:

- (i) the Reset Reference Rate in respect of the Reset Period (expressed as a rate per annum); and
- (ii) the Margin.

In these Conditions (except where otherwise defined), the expression:

"**Business Day**" means a day which is 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;

"**Margin**" means 6.993 per cent. per annum;

"**Reset Determination Date**" means, in relation to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

"**Reset Period**" means the period from (and including) the First Reset Date to (but excluding) the next succeeding Reset Date, and each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"**Reset Reference Banks**" means four brokers of gilts and/or gilt-edged market makers as selected by the Issuer; and

"**Reset Reference Rate**" means in respect of the relevant Reset Period, the percentage rate (rounded, if necessary, to three decimal places, with 0.0005 rounded upwards) determined by the Agent Bank on the basis of the Gilt Yield Quotations provided (upon request by or on behalf of the Issuer) by the Reset Reference Banks to the Issuer and by

the Issuer to the Agent Bank at approximately 11:00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period. If four quotations are provided, the Reset Reference Rate will be determined by reference to the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be determined by reference to the quotation provided. If no quotations are provided, the Reset Reference Rate shall be the Reset Reference Rate in respect of the immediately preceding Reset Period or, in the case of the calculation of the first Reset Reference Rate, the Initial Interest Rate (less the Margin), where:

- (A) "**Benchmark Gilt**" means, in respect of the relevant Reset Period, such United Kingdom government security customarily used in the pricing of new issues having a maturity date on or about the last day of such Reset Period as the Issuer (after consultation with an investment bank or financial institution determined to be appropriate by the Issuer) may determine to be appropriate; and
- (B) "**Gilt Yield Quotations**" means, with respect to a Reset Reference Bank and a Reset Period, the arithmetic mean of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of that Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank.

(e) *Publication of Reset Interest Rate*

The Issuer shall cause the Agent Bank to give notice of the relevant Reset Interest Rate to the Issuer, the Agents, the Trustee and to any stock exchange on which the Notes are at the relevant time listed or admitted to trading or other relevant authority (by no later than the relevant Reset Determination Date) and to be notified to Holders in accordance with Condition 15 as soon as possible after their determination, but in no event later than the fourth Business Day thereafter. The Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether from or by the Reset Reference Banks (or any of them) or the Agent Bank or the Issuer or any agent appointed by the Issuer, will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Agent Bank and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders shall attach to the Reset Reference Banks (or any of them) in connection with any such quotations or the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(g) *Interest accrual*

Without prejudice to Conditions 4(a), 6 and 9, each Note will cease to bear interest from and including its date fixed for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue in accordance with, and subject to, the Conditions (both before and after judgment) until whichever is the earlier of (a) the day on which such principal is received by or on behalf of the relevant Holder and (b) the day which is seven days after any of the Agents or the Trustee has notified the Holders that it has received such principal.

7. PAYMENTS

(a) *Principal*

Payments of principal shall be made upon application by a Holder of a Note to the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account maintained by the payee with, a bank in London and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Interest*

Payments of interest shall be made upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the relevant Interest Payment Date or the date fixed for redemption (if any), by transfer to a sterling account maintained by the payee with, a bank in London and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payment on Business Days*

Subject to Conditions 6, 8 and 9, where payment is to be made by transfer to a sterling account, payment instructions (for value the relevant Interest Payment Date or the date fixed for redemption (if any), as the case may be, or, if such date is not a payment business day, for value the next succeeding payment business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the date fixed for redemption and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the relevant Interest Payment Date. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the date fixed for redemption or the relevant Interest Payment Date not being a payment business day. In this Condition 7(d), "**payment business day**" means any 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, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the relevant date fixed for redemption (if any) or the relevant Interest Payment Date (the "**Record Date**").

(g) *Agents*

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Issuer reserves the right, subject to the prior written approval of the

Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided that**:

- (i) there will at all times be a Principal Paying Agent and an Agent Bank;
- (ii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (iii) there will at all times be a Transfer Agent; and
- (iv) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 15.

8. REDEMPTION AND PURCHASE; SUBSTITUTION AND VARIATION

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the following provisions of this Condition 8. The Issuer shall not be entitled to deliver a notice of redemption after an Automatic Conversion Notice has been delivered.

(b) *Redemption at the option of the Issuer*

The Issuer may, in its sole discretion but subject to Condition 8(h), having given not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 15, the Trustee and the Agents (which notice shall, subject to Condition 8(h), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes on any date from (and including) 8 December 2028 to (and including) the First Reset Date and on any date from (and including) the date falling six months prior to any Reset Date thereafter to (and including) such Reset Date at their principal amount together with any Accrued Interest to the extent not cancelled.

(c) *Redemption for regulatory reasons*

Subject to Condition 8(h), if there is a change (or a pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes which becomes effective on or after the Issue Date that results, or would be likely to result, in the whole or any part of the principal amount of the Notes at any time being excluded from the Group's Tier 1 Capital (a "**Regulatory Event**"), the Issuer may, in its sole discretion but having given not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 15, the Trustee and the Agents (which notice shall, subject to Condition 8(h), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes at their principal amount together with any Accrued Interest to the extent not cancelled.

Prior to giving notice of redemption in accordance with this Condition 8(c), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions precedent for redeeming the Notes pursuant to this Condition 8(c) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof.

(d) *Redemption for tax reasons*

Subject to Condition 8(h), if as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which the Relevant

Jurisdiction is a party, or a change in an official application of those laws or regulations which change or amendment becomes effective on or after the Issue Date, including a decision of any court or tribunal which becomes effective on or after the Issue Date:

- (i) the Issuer has paid, or will or would on the next Interest Payment Date be required to pay, Additional Amounts in respect of the Notes; or
- (ii) the Issuer is not or would not be entitled to claim a deduction in computing its taxable profits and losses in respect of interest payable on the Notes, or such a deduction is or would be reduced or deferred; or
- (iii) the Issuer is not or would not, as a result of the Notes being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer 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 or any similar system or systems having like effect as may from time to time exist);
- (iv) the Issuer would be required to bring into account any amount of income, profit or gain or other tax credit or taxable item for tax purposes, or any other liability to tax would arise in respect of the write-down of the Notes, the conversion of the Notes into shares, or both (including, pursuant to these Conditions or as a result of the exercise of any regulatory powers under the Banking Act 2009); or
- (v) the Notes or any part thereof are or would become treated as a derivative or embedded derivative for tax purposes,

(each, a "**Tax Event**"), the Issuer may, in its sole discretion but subject to Condition 8(h), having given not less than 15 nor more than 30 days' notice to Holders in accordance with Condition 15, the Trustee and the Agents (which notice shall, subject to Condition 8(h), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes at an amount equal to their principal amount together with any Accrued Interest to the extent not cancelled.

Prior to giving notice of redemption in accordance with this Condition 8(d), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions precedent for redeeming the Notes pursuant to this Condition 8(d) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof.

(e) *Residual Call*

Subject to Condition 8(h), if, as a result of purchases and subsequent cancellations in accordance with Condition 8(g), the outstanding aggregate principal amount of the Notes is less than or equal to 25 per cent. of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 18 and consolidated with the Notes as the same series shall be deemed to have been originally issued), the Issuer may, in its sole discretion, redeem all (but not some only) of the remaining outstanding Notes on any date following the Issue Date upon giving not less than 15 nor more than 30 days' notice to Holders, the Trustee and the Agents in accordance with Condition 15 (which notice shall, subject to Condition 8(h), be irrevocable and shall specify the date fixed for redemption), at their principal amount together with any Accrued Interest.

Prior to giving any notice of redemption in accordance with this Condition 8(e), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions for redeeming the Notes pursuant to this Condition 8(e) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive, binding and sufficient evidence thereof.

(f) *Substitution or Variation*

If a Regulatory Event or a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8(h) and having given not less than 15 nor more than 30 days' notice to the Holders (in accordance with Condition 15), the Trustee and the Agents (which notice shall, subject to Condition 8(h), be irrevocable) but without any requirement for the consent or approval of the Holders, at any time 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, Qualifying Additional Tier 1 Securities and the Trustee shall (subject to the following provisions of this Condition 8(f) and subject to the receipt by it of the certificate of the Authorised Signatories referred to in the definition of Qualifying Additional Tier 1 Securities) agree to such substitution or variation, provided that the Trustee shall not be obliged to consent to, participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Additional Tier 1 Securities or the participation in or assistance with such substitution or variation, in the Trustee's opinion, (i) would expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changes, increases or adds to the obligations or duties of the Trustee or (iii) removes or amends any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes.

(g) *Purchases*

The Issuer or any of its Subsidiaries may, at its option but subject to the Solvency Condition and Supervisory Permission, at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, cancelled.

(h) *Conditions to purchase, redemption, substitution and variation*

Any redemption under Conditions 8(b), 8(c), 8(d) or 8(e), substitution or variation under Condition 8(f) or purchase under Condition 8(g) is subject to the Issuer having obtained Supervisory Permission and to compliance with the Regulatory Preconditions or any other conditions or requirements contained in the Regulatory Capital Requirements which relate to the purchase, redemption, substitution or variation of the Notes as the case may be.

In addition, if the Issuer has elected to purchase, redeem, substitute or vary the terms of the Notes and:

- (i) prior to the purchase, redemption, substitution or variation (as applicable) a Trigger Event occurs; or
- (ii) in the case of a purchase or redemption, the Solvency Condition is not satisfied in respect of the relevant payment on any date scheduled for purchase or redemption,

the relevant redemption, substitution or variation notice (as applicable) or, as the case may be, the relevant purchase agreement shall be automatically rescinded and shall be of no force and effect and no payment of any purchase or redemption amount will be due and payable or no substitution or variation shall occur (as the case may be). The Issuer shall give notice thereof to the Holders (in accordance with Condition 15) the Trustee and the Agents as soon as practicable. Any failure to provide such notice shall not have any impact on the effectiveness of, or otherwise invalidate, any such rescission and, in the case of (i) above, the Automatic Conversion shall occur in accordance with Condition 9.

(i) *Cancellation*

All Notes which are redeemed by the Issuer pursuant to this Condition 8 will be cancelled.

(j) *Notices final*

Upon the expiry of any notice as is referred to in Condition 8(b), 8(c), 8(d), 8(e) or 8(f), the Issuer shall be bound (subject in all circumstances only to Condition 8(h)) to redeem, substitute or vary (as applicable) the Notes to which the notice refers in accordance with the terms of such paragraph.

(k) *Trustee not obliged to monitor*

The Trustee shall not be under any duty to investigate whether any condition to redemption, substitution or variation (as applicable) under this Condition 8 has occurred and (i) shall not be responsible to Holders for any loss arising from any failure by it to do so and (ii) shall be entitled to assume, unless it has received written notice to the contrary, that no such condition to redemption, substitution or variation (as applicable) has occurred and that all Supervisory Permissions and/or Regulatory Preconditions have been satisfied. The Trustee shall rely without further investigation and without liability as aforesaid on any certificate delivered to it in connection with this Condition 8.

9. **AUTOMATIC CONVERSION**

(a) *Automatic Conversion on a Trigger Event*

If a Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released by the Holders in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on the Conversion Date at the then prevailing Conversion Price. Under no circumstances shall such released obligations be reinstated. If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Holders or to the Holders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

Whether a Trigger Event has occurred shall be determined by the Issuer or the Competent Authority and such determination shall be binding on Holders.

The Issuer shall immediately notify the Competent Authority of the occurrence of the Trigger Event and the Automatic Conversion shall occur without delay upon the occurrence of a Trigger Event and by no later than one month following such Trigger Event (or such shorter period as the Competent Authority may then require).

If a Trigger Event has occurred, the Issuer shall deliver an Automatic Conversion Notice to the Holders in accordance with Condition 15 and the Trustee and the Agents without delay after such time. Notwithstanding Condition 15, the Automatic Conversion Notice shall be deemed to have been given on the date on which it is dispatched to the Trustee and the Holders.

On or (if reasonably practicable) prior to giving the Automatic Conversion Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Trigger Event has occurred and the Trustee shall be entitled (without further investigation or liability) to accept such certificate as sufficient evidence of the occurrence of such event, in which event such certificate shall be conclusive and binding on the Trustee and the Holders.

Within 10 Business Days following the Conversion Date, the Issuer shall deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders in accordance with Condition 15.

The Notes are not convertible into Conversion Shares at the option of the Holders at any time.

(b) *Consequences of Automatic Conversion*

- (i) Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Notes or the payment of interest or any other amount on or in respect of such Notes, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Notes shall equal zero at all times thereafter. Any Interest Amount in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of such Trigger Event and shall not be due and payable.
- (ii) Following the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated above and as applicable) on the Conversion Date, the Notes shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary (or such other relevant recipient).
- (iii) **Provided that** the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated above) in accordance with these Conditions, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made pursuant to Condition 9(d) below, of any Conversion Shares Offer Consideration to which such Holders are entitled.
- (iv) If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depositary (or to the relevant recipient as contemplated above) in accordance with the Conditions, a Holder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares so issued and delivered.

(c) *Conversion Shares*

- (i) The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient as contemplated above, and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).
- (ii) The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Conversion Date shall be determined by the Issuer by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Holder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate amount of the Authorised Denomination of the Notes held by such Holder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.

- (iii) The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Conversion Date.
 - (iv) The Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Holders, who shall be entitled to direct the Conversion Shares Depositary or such other recipient, as applicable, to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Holders shall not be able to sell or otherwise transfer the Conversion Shares until such time as they have been delivered to Holders in accordance with the procedures set forth in Condition 9(e).
 - (v) If a Qualifying Takeover Event shall have occurred, then, where the Conversion Date falls on or after the QTE Effective Date, Approved Entity Shares of the Approved Entity shall be issued to the Conversion Shares Depositary on the Conversion Date instead of Conversion Shares, in accordance with Condition 10(e).
 - (vi) The Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, will be delivered to Holders pursuant to the procedures set out in Condition 9(e) below.
- (d) *Conversion Share Offer*
- (i) No later than 10 Business Days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depositary make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided below (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.
 - (ii) The Issuer will deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders in accordance with Condition 15 within 10 Business Days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 Business Days after the giving by the Issuer of the Conversion Shares Offer Notice.
 - (iii) Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The Issuer or the purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. If a prospectus or other offering document is required to be prepared in connection with a Conversion Shares Offer, the Issuer will facilitate the preparation of such prospectus or other offering document, and the Issuer and/or its directors will take responsibility for such prospectus or other offering document, in each case, if and to the extent then required by applicable laws and regulations then in effect. In addition, if so requested by the Conversion Shares Depositary as offeror, the Issuer shall indemnify the

Conversion Shares Depositary for any losses incurred in connection with any Conversion Shares Offer.

- (iv) Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depositary will provide notice to the Trustee and the Holders in accordance with Condition 15 of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.
- (v) The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three Business Days' notice to the Trustee directly and to the Holders in accordance with Condition 15, and, if it does so, the Issuer may, in its sole and absolute discretion, take steps (including changing the Suspension Date) to deliver to Holders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.
- (vi) By its subscription for, purchase or other acquisition of the Notes, each Holder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary such Holder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and to the Conversion Shares Depositary using the Conversion Shares to settle any Conversion Shares Offer in accordance with these Conditions, (ii) consented to the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depositary in connection with the Conversion Shares Offer in accordance with these Conditions, (iii) irrevocably agreed that the Issuer, the Conversion Shares Depositary and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with these Conditions, and (iv) agreed that none of the Issuer, the Trustee, the Conversion Shares Depositary, if any, or the Conversion Shares Offer Agent, if any, shall, to the extent permitted by applicable law, incur any liability to the Holders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Holders' entitlement to any Conversion Shares Offer Consideration).
- (vii) Neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of ordinary shares at or below the Conversion Price.

(e) *Settlement Procedure*

Delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders will be made in accordance with the following procedures:

- (i) The Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to Holders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & International Limited, known as CREST, unless the Conversion Shares are not a participating security in CREST at the relevant time, in which case the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will either be delivered in the form of the relevant clearing system in which the Conversion Shares are a participating security or in certificated form, as notified by the Issuer to the Holders in accordance with Condition 15. Where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered through CREST or such other clearing system

in which such Conversion Shares are a participating security, they will be delivered to the account specified by the relevant Holder in the relevant Conversion Shares Settlement Notice.

- (ii) Where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered in certificated form, the name of the relevant Holder (or its nominee) will be entered in the Issuer's share register and a certificate in respect thereof will be dispatched by mail free of charge to the relevant Holder or as it may direct in the relevant Conversion Shares Settlement Notice.
- (iii) The cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Holders (A) if the relevant Conversion Shares Settlement Notice is not delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by Sterling cheque drawn on a bank in London and mailed to their address shown on the Register on or around the date on which the Conversion Shares Offer Period ends, or (B) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by transfer on or around the date on which the Conversion Shares Offer Period ends to such Sterling account maintained by the payee with a bank in London as the Holder may direct in such notice.
- (iv) The Conversion Shares (and the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will not be available for delivery (A) to, or to a nominee for, Clearstream, Luxembourg or Euroclear or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).
- (v) Neither the Issuer, nor any member of the Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration), which tax shall be borne solely by the Holder or, if different, the person to whom the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are delivered.
- (vi) The Conversion Shares Offer Notice shall specify the Suspension Date. On the Suspension Date, the Issuer shall deliver a Conversion Shares Settlement Request Notice to the Trustee directly and to the Holders in accordance with Condition 15. Such notice shall request that Holders complete a Conversion Shares Settlement Notice and shall specify the Notice Cut-off Date and the Final Cancellation Date.
- (vii) In order to obtain delivery of the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver its Conversion Shares Settlement Notice to the Conversion Shares Depository (or to the relevant recipient as contemplated above) on or before the Notice Cut-off Date. If such delivery is made after the end of normal business hours at the specified office of the Conversion Shares Depository (or of the relevant recipient), such delivery shall be deemed for all purposes to have been made or given on the next following Business Day. The Conversion Shares

Settlement Notice must be delivered to the specified office of the Conversion Shares Depository (or of the relevant recipient) together with the relevant Notes.

Each Conversion Shares Settlement Notice shall be irrevocable. Failure to properly complete and deliver a Conversion Shares Settlement Notice and the relevant Notes, if applicable, may result in such notice being treated by the Conversion Shares Depository as null and void. Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered shall be made by the Conversion Shares Depository (or by the relevant recipient) in its sole and absolute discretion and shall be conclusive and binding on the relevant holder.

- (viii) Subject as provided herein and provided the Conversion Shares Settlement Notice and the relevant Notes, if applicable, are delivered on or before the Notice Cut-off Date, the Conversion Shares Depository (or to the relevant recipient) shall deliver the relevant Conversion Shares (rounded down to the nearest whole number of Conversion Shares) or Conversion Share component, if any, of any Conversion Shares Offer Consideration (rounded down to the nearest whole number of Conversion Shares), as applicable, to the Holder of the relevant Notes completing the relevant Conversion Shares Settlement Notice or its nominee in accordance with the instructions given in such Conversion Shares Settlement Notice on the applicable Settlement Date.
- (ix) If a Conversion Shares Settlement Notice and the relevant Notes, if applicable, are not delivered to the Conversion Shares Depository on or before the Notice Cut-off Date, then the Conversion Shares Depository shall continue to hold the relevant Conversion Shares (or Conversion Share component, if any, of any Conversion Shares Offer Consideration) until a Conversion Shares Settlement Notice (and the relevant Notes, if applicable) is so delivered. However, the relevant Notes shall be cancelled on the Final Cancellation Date and any Holder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration).

The Issuer shall have no liability to any Holder for any loss resulting from such Holder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Notes, if applicable, on a timely basis or at all.

- (f) *Trustee not responsible for Conversion Shares or Conversion Shares Depository*

The Trustee shall not be responsible or liable for implementing or monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depository in respect thereof. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depository, Holders must look to the Conversion Shares Depository (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

10. **ADJUSTMENTS TO THE CONVERSION PRICE**

- (a) *Adjustments to the Conversion Price*

Upon the occurrence of any of the events set out below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the ordinary shares of the Issuer, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

"A" is the aggregate number of ordinary shares of the Issuer in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

"B" is the aggregate number of ordinary shares of the Issuer in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any ordinary shares credited as fully paid to the Issuer's shareholders as a class by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such ordinary shares are or are to be issued instead of the whole or part of a Cash Dividend which the Issuer's shareholders would or could otherwise have elected to receive, (2) where the Issuer's shareholders may elect to receive a Cash Dividend in lieu of such ordinary shares or (3) where any such ordinary shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Issuer's shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

"A" is the aggregate number of ordinary shares of the Issuer in issue immediately before such issue; and

"B" is the aggregate number of ordinary shares of the Issuer in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such ordinary shares.

- (iii) If and whenever the Issuer shall issue any ordinary shares to all or substantially all of the Issuer's shareholders as a class by way of rights at a price per ordinary share which is less than 95 per cent. of the Current Market Price per ordinary share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

"A" is the aggregate number of ordinary shares of the Issuer in issue on the Effective Date;

"B" is the aggregate number of ordinary shares of the Issuer that the aggregate consideration (if any) receivable for the ordinary shares issued by way of rights would purchase at such Current Market Price per ordinary share on the Effective Date; and

"C" is the number of ordinary shares to be issued.

Such adjustment shall become effective on the Effective Date.

For the purpose of any calculation of the consideration receivable or price pursuant to this paragraph (iii), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for ordinary shares issued for cash shall be the amount of such cash;
 - (2) if the consideration or price determined pursuant to (1) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
 - (3) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant ordinary shares or otherwise in connection therewith;
 - (4) the consideration or price shall be determined as provided in (1)-(3) above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity; and
 - (5) references herein to "cash" shall be construed as cash consideration within the meaning of Section 583(3) of the Companies Act.
- (iv) If and whenever the Issuer shall pay any Extraordinary Dividend to shareholders of the Issuer as a class, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

"A" is the Current Market Price of one ordinary share on the Effective Date; and

"B" is the portion of the aggregate Extraordinary Dividend attributable to one ordinary share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of ordinary shares entitled to receive the relevant Extraordinary Dividend. If the Extraordinary Dividend shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

Notwithstanding the foregoing provisions:

- (A) No adjustment to the Conversion Price will be made:
 - (1) as a result of the payment of any Cash Dividend (other than an Extraordinary Dividend);
 - (2) to the extent ordinary shares or other securities (including rights, warrants or options in relation to ordinary shares and other securities) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, directors or employees or former directors or employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme;
 - (3) if an increase in the Conversion Price would result from such adjustment, except in case of a consolidation of the ordinary shares; or
 - (4) if it would result in the Conversion Price being reduced below the par value of the ordinary shares;
- (B) where the events or circumstances giving rise to any adjustment pursuant to this section have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances that have already given or will give rise to an adjustment to the Conversion Price or where more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall, subject to compliance with the then prevailing Regulatory Capital Requirements, be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;
- (C) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once;
- (D) for the avoidance of doubt, the issue of ordinary shares following an Automatic Conversion or upon any conversion or exchange or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price;
- (E) in respect of any adjustment pursuant to paragraphs (i) to (iii) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if it were to be applied for the purposes of any Automatic Conversion at the time of such adjustment, would result in a number of Conversion Shares being required to be issued which represents a greater proportion of the total number of ordinary shares of the Issuer which are in issue than would be the case had the adjustment not been made (and had the corporate event not occurred); and

(F) in respect of any adjustment pursuant to paragraph (iv) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if it were to be applied for the purposes of any Automatic Conversion at the time of such adjustment, would result in the issue of an additional number of Conversion Shares having a value that is greater than the value of the aggregate Extraordinary Dividend which would be attributable to the ordinary shares underlying the Notes had such ordinary shares been in issue.

(b) *No Retroactive Adjustments*

The Issuer shall not issue any additional Conversion Shares if the Automatic Conversion occurs after the record date in respect of any consolidation, reclassification or subdivision as is mentioned in Condition 10(a)(i), or after the record date or other due date for the establishment of entitlement for any such issue as is mentioned in Condition 10(a)(ii), but before the relevant adjustment to the Conversion Price becomes effective under such section.

(c) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to such Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Trustee and the Holders, save in the case of manifest error.

(d) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment to the Conversion Price pursuant to this Condition 10, if the resultant Conversion Price is a number with more decimal places than the initial Conversion Price, that number shall be rounded to the same number of decimal places as the initial Conversion Price. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to the Trustee and to the Holders in accordance with Condition 15 promptly after the determination thereof.

(e) *Qualifying Takeover Event*

Within 10 Business Days following the occurrence of a Takeover Event, the Issuer shall give notice thereof to the Trustee and to the Holders by means of a Takeover Event Notice. If the Takeover Event is not a Qualifying Takeover Event, the Takeover Event Notice addressed to the Trustee shall include a certification signed by two Authorised Signatories certifying that a Takeover Event that is not a Qualifying Takeover Event has occurred, in which event such certification shall be treated and accepted by the Trustee and the Holders as correct, conclusive and sufficient evidence thereof. The Trustee shall rely without further investigation and without liability as aforesaid on any certificate delivered to it in connection with this Condition 10.

If the Takeover Event is a Qualifying Takeover Event, the Notes shall, where the Conversion Date falls on or after the QTE Effective Date, be converted into or exchanged for Approved Entity Shares of the Approved Entity, *mutatis mutandis* as provided in Condition 9 above, at a Conversion Price that shall initially be the New Conversion Price, which may be higher or lower than the Conversion Price and references herein to "Conversion Shares" shall be deemed to be references to "Approved Entity Shares".

Such conversion shall be effected by the delivery by the Issuer of such number of ordinary shares in the Issuer to the Approved Entity as is determined in accordance with Condition 9 and such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations in respect of the Notes in question (but shall be without prejudice to the Approved Entity's obligations to deliver Approved Entity Shares).

The New Conversion Price shall be subject to adjustment in the circumstances provided for in Condition 10(a) above (if necessary with such modifications and amendments as an Independent Financial Adviser acting in good faith shall determine to be appropriate and references to "ordinary shares" shall be read as references to "Approved Entity Shares"), and the Issuer shall give notice to the Trustee and to the Holders in accordance with Condition 15 of the New Conversion Price and of any such modifications and amendments thereafter.

- (i) In the case of a Qualifying Takeover Event:
 - (A) the Issuer shall, to the extent permitted by applicable law and regulation, on or prior to the QTE Effective Date, enter into such agreements and arrangements (which may include a supplemental trust deed and amendments and modifications to these Conditions and the Trust Deed) as may be required to ensure that, with effect from the QTE Effective Date, the Notes shall be convertible into, or exchangeable for, Approved Entity Shares, *mutatis mutandis* in accordance with, and subject to, the provisions in Condition 9 (as may be so supplemented, amended or modified), at the New Conversion Price and any references to the Conversion Price shall be construed as references to the New Conversion Price; and
 - (B) upon the occurrence of a Trigger Event where the Conversion Date falls on or after the QTE Effective Date, the Issuer shall procure (to the extent within its control) the issue of the relevant number of Approved Entity Shares *mutatis mutandis* in the manner provided in Condition 9 above, as may be amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed and these Conditions, and to execute any such deeds supplemental to the Trust Deed, **provided that** the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes.

- (ii) In the case of a Takeover Event that is not a Qualifying Takeover Event (including if that is because the Acquirer is a Governmental Entity or because on the Conversion Date the Acquirer's Shares are not Approved Entity Shares), with effect from the occurrence of the Takeover Event (or the date on which the Acquirer's Shares cease to be Approved Entity Shares) and unless a Conversion Date shall have occurred prior to the date of such Takeover Event (or the date on which the Acquirer's Shares cease to be Approved Entity Shares), outstanding Notes shall not be subject to Automatic Conversion into shares of the Acquirer at any time notwithstanding that a Trigger Event may occur subsequently but instead, upon the occurrence of a subsequent Trigger Event (if any) (or where the Conversion Date occurs on or after the date of such Takeover Event) the Notes shall be converted into ordinary shares in the Issuer in accordance with Condition 9(a) as if no Takeover Event had occurred.

(f) *Covenants*

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Regulatory Capital Requirements from time to time and only to the extent that such covenant would not cause a Regulatory Event to occur) in the event of a Newco Scheme, save with the approval of an Extraordinary Resolution, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Notes may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed. The Trustee shall (at the expense of the Issuer and **provided that** the Trustee receives a certificate signed by two Authorised Signatories of the Issuer certifying that the effect of such amendments will be only that the Notes may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions) be bound to concur in effecting such amendments, **provided that** the Trustee shall not be bound to concur if to do so would, in the opinion of the Trustee, (i) expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) change, increase or add to the obligations or duties of the Trustee or (iii) remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes.

11. **TAXATION**

(a) *Payment without withholding*

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts in respect of any interest on the Notes ("**Additional Amounts**") (but not, for the avoidance of doubt, in respect of the payment of any principal in respect of the Notes) as may be necessary in order that the net amounts in respect of any interest on the Notes received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of interest on the Notes in the absence of the withholding or deduction, except that no Additional Amounts shall be payable in relation to any payment in respect of any Note:

- (i) to or on behalf of a Holder, or a beneficial owner of the relevant Notes, which is liable to such Taxes in respect of such Note by reason of its having some connection with the Relevant Jurisdiction other than the mere holding or ownership of the Note; or
- (ii) where (in the case of a payment of interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days; or
- (iii) where the Holder of the relevant Notes failed to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the Relevant Jurisdiction of such Holder, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the Relevant Jurisdiction as a condition to relief or exemption from such taxes.

For the avoidance of doubt, any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or

future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and the Issuer will not be required to pay any Additional Amounts on account of any FATCA Withholding Tax.

(b) *Additional Amounts*

Any reference in these Conditions to any interest in respect of the Notes shall be deemed also to include any Additional Amounts which is, were or would be payable under this Condition 11.

The mandatory restrictions on payments of Interest Amounts in Condition 6(a) shall apply to any Additional Amounts *mutatis mutandis*.

12. **PRESCRIPTION**

Notes will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes, subject to the provisions of Condition 7.

13. **NON-PAYMENT WHEN DUE AND WINDING-UP EVENT**

(a) *Proceedings in the event of non-payment or breach of Performance Obligations*

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), without further notice:

- (i) *Non-payment*: in the event that any principal on the Notes has not been paid within 14 days from the due date for payment, institute proceedings in a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer is organised) (but not elsewhere) for the winding-up of the Issuer and/or prove and/or claim in a Winding-Up, **provided that** the Issuer shall not be in default if it delivers to the Trustee a certificate signed by two Authorised Signatories of the Issuer during the 14 day period certifying that such sums were not paid in order to comply with any mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers acceptable to the Trustee. No interest will be due and payable if such interest has been cancelled (in whole or in part) pursuant to Condition 4(a), 6(a) or 9. Accordingly, no default in payment under the Notes will have occurred or be deemed to have occurred in such circumstances; or
- (ii) *Limited remedies for breach of Performance Obligations*: institute such proceedings against the Issuer as it may think fit to enforce any term, obligation or condition binding on the Issuer under the Notes or the terms of the Trust Deed (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) (a "**Performance Obligation**"); **provided always that** the Trustee (acting on behalf of the Holders but not the Trustee acting in its personal capacity under the Trust Deed) and the Holders shall not enforce, and shall not be entitled to enforce or otherwise claim against the Issuer, any judgment or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving and/or claiming such Monetary Judgment in a Winding-Up.

Nothing in this Condition 13(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

(b) *Winding-Up Event*

If a Winding-Up Event occurs before the occurrence of a Trigger Event, the Trustee at its discretion may and, if so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or repaid to its satisfaction), subject to Condition 5(a), declare the Notes to be due and repayable immediately (and the Notes shall thereby become so due and repayable with such claim as set out in Condition 5(a)).

(c) *Right of Holders*

No Holder shall be entitled to proceed directly against the Issuer or institute any of the proceedings referred to in this Condition 13 or to prove and/or claim in a Winding-Up, except that, if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so or, being able to prove in such Winding-Up, fails to do so, in each case within a reasonable period and in each such case such failure shall be continuing, then any such Holder may itself institute such proceedings and/or prove and/or claim in such Winding-Up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so in respect of the Notes.

(d) *Extent of Holder's remedy*

No remedy against the Issuer other than the institution of the proceedings referred to in this Condition 13 or proving and/or claiming in a Winding-Up, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or the Trust Deed.

14. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and/or the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. NOTICES

All notices regarding the Notes shall be valid if sent by post to the Holders at their respective addresses in the Register and, if and for so long as the Notes are listed on the London Stock Exchange plc or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

16. MEETINGS OF HOLDERS, MODIFICATION AND WAIVERS

(a) *Meetings of Holders*

The Trust Deed contains provisions for convening meetings of Holders (including by way of conference call or videoconference, or a combination of such methods) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting of Holders for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting

one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which is to deal with certain proposals (including any proposal to change any Interest Payment Date or any optional redemption date) to reduce the amount of interest payable in respect of the Notes, to reduce the principal amount of the Notes, to alter the method of calculating of any interest in respect of the Notes, to change the currency of payments under the Notes, to modify the provisions of Conditions 3, 4 or 5, to modify the provisions of Condition 9 and/or Condition 10 (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 10(e) or 10(f)) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**"), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the aggregate principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting and whether or not they voted on the resolution.

Any such meeting of the Holders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference, or a combination of such methods) as may be determined in accordance with the provisions of the Trust Deed.

In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification, authorisation, waiver*

Except where the Trustee is bound pursuant to Conditions 10(e)(i) and 10(f) to give effect to the amendments described therein, the Trustee may agree (other than in respect of a Reserved Matter), without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (**provided that**, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders) or may agree, without any such consent as aforesaid and irrespective of whether the same constitutes a Reserved Matter, to any modification which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest error.

(c) *Supervisory Permission*

These Conditions shall only be capable of modification or waiver, if the Issuer has obtained the relevant Supervisory Permission or if the Issuer has notified the Competent Authority of such modification or waiver, to the extent then required under the prevailing Regulatory Capital Requirements.

(d) *Trustee to have regard to interests of Holders as a class*

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any

indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders 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.

(e) *Notification to the Holders*

Any modification, abrogation, waiver or authorisation referred to in this Condition 16 shall be binding on the Holders and, unless the Trustee agrees otherwise, notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 15.

17. **RIGHTS OF THE TRUSTEE**

(a) *Indemnification and protection of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Holders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed **provides that**, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee Contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(c) *Reliance by Trustee on reports, confirmations, certificates and advice*

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institutions or any other expert, 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 or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

(d) *Mandatory modifications*

When implementing any modification pursuant to Condition 10(e)(i), the Trustee shall not consider the interests of the Holders or any other person. The Trustee shall not be liable to the Holders or any other person for so acting or for any losses incurred by any person by reason thereof, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person and/or is or may be a Reserved Matter.

(e) *Trustee's remuneration, liability etc*

The provisions of Conditions 4 and 5 apply only to the principal and interest and any other amounts payable in respect of the Notes and nothing in Conditions 4, 5, 7 or 13 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 4(a) or Condition 6(a), Automatic

Conversion pursuant to Condition 9 or any cancellation of the Notes or write down of any claims in respect thereof following the occurrence of a Takeover Event that is not a Qualifying Takeover Event pursuant to Condition 10(e)(ii). Furthermore, the Trustee shall not be responsible or liable for any calculation or the verification of any calculation in connection with any of the foregoing.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest, if any, on them and/or the issue price thereof and/or the date from which interest starts to accrue, if any) so that the same shall be consolidated and form a single series with the Notes. Any further securities which are to form a single series with the Notes constituted by the Trust Deed or any supplemental deed shall be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

19. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

(a) *Governing law*

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes are governed by English law.

(b) *Jurisdiction of English courts*

The parties to the Trust Deed have (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

20. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, 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) *Agreement and Acknowledgement with Respect to the Exercise of the UK Bail-in Power*

Notwithstanding and to the exclusion of any other term of any Notes or any other agreements, arrangements, or understandings between the Issuer and any Holder (or the Trustee on behalf of the Holders), by its acquisition of the Notes, each Holder 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 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 in respect of the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Holder of such 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; or
 - (D) the amendment of the amount of interest payable on the Notes, 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, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

(b) *Definitions*

For the purposes of this Condition 21:

"Amounts Due" means the principal amount of, and any accrued but unpaid interest on, the Notes. References to such amounts will include 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.

"Resolution Authority" means the Bank of England or any successor or replacement thereto or such other authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the recovery and/or resolution of the of the Issuer and/or the Group.

"UK Bail-in Power" means any write-down, conversion, transfer, modification and/or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of the 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, as the same has been or may be amended from time to time (whether pursuant to the Financial Services (Banking Reform) Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person.

(c) *Payment of Interest and Other Outstanding Amounts Due*

No repayment or payment of Amounts Due in relation to 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, written-down, converted, cancelled, amended or altered as a result of such exercise.

(d) *Event of Default*

Neither a reduction or cancellation, in part or in full, of the Amounts Due, 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 constitute a default for any purpose.

(e) *Notice*

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall as soon as reasonably practicable notify the Trustee and the Principal Paying Agent in writing of such exercise and give notice of the same to Holders in accordance with Condition 15. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 21(e) shall not affect the validity and enforceability of the UK Bail-in Power and shall not constitute a default by the Issuer for any purpose.

22. DEFINITIONS

(a) *Definitions*

In these Conditions:

"**Accrued Interest**" means, with respect to a date fixed for redemption in accordance with Condition 8, any interest accrued but unpaid on the Notes from (and including) the Interest Payment Date most recently preceding such date fixed for redemption to (but excluding) such date fixed for redemption and which is unpaid, but excluding any interest which has been cancelled in accordance with Condition 4(a), Condition 6(a) or Condition 9.

"**Acquirer**" means the person that controls the Issuer following a Takeover Event. For the purposes of this definition, "control" means the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer or the right to appoint or remove a majority of the board of directors of the Issuer.

"**Additional Amounts**" has the meaning given to it in Condition 11(a).

"**Additional Tier 1 Capital**" has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

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

"**Agent**" means the Registrar, the Agent Bank and each of the other agents appointed pursuant to the Agency Agreement.

"**Agent Bank**" means Citibank N.A., London Branch and any successor agent bank appointed from time to time in connection with the Notes.

"**Approved Entity**" means a body corporate which, on the occurrence of the Takeover Event, has in issue Approved Entity Shares.

"**Approved Entity Shares**" means ordinary shares in the capital of a body corporate that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) which are listed and admitted to trading on a Recognised Stock Exchange **provided that** ordinary shares shall not be Approved Entity Shares if the conversion, or possible conversion, of the Notes into those ordinary shares would have an effect of the kind referred to in either of paragraphs (ii) or (iii) of Condition 8(d) on the Issuer (an "**Adverse Tax Effect**") and such Adverse Tax Effect arises as a consequence of the fact that the Notes would not be "hybrid capital instruments" for the purposes of section 475C of the Corporation Tax Act 2009; and ordinary shares shall cease to be Approved Entity Shares if such ordinary shares are initially Approved Entity Shares, but subsequently would have an Adverse Tax Effect on or before the Conversion Date.

"**Authorised Denomination**" has the meaning given to it in Condition 1.

"**Authorised Signatory**" has the meaning given to it in the Trust Deed.

"**Automatic Conversion**" means the irrevocable and automatic release of all of the Issuer's obligations under the Notes in consideration of the Issuer's issuance of the Conversion Shares at the Conversion Price to the Conversion Shares Depositary (on behalf of the Holders) or to the relevant recipient, in accordance with these Conditions and "**convert**" and "**converted**" shall be construed accordingly.

"**Automatic Conversion Notice**" means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 15 specifying (i) that a Trigger Event has occurred, (ii) the Conversion Date or expected Conversion Date, (iii) the Conversion Price, (iv) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 15 within 10 Business Days following the Conversion Date notifying Holders of the Issuer's election and (v) that the Notes shall remain in existence for the sole purpose of evidencing the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary, and that the Notes may continue to be transferable until the Suspension Date, which shall be specified in the Conversion Shares Offer Notice.

"**Benchmark Gilt**" has the meaning given to it in Condition 6(d).

"**Business Day**" has the meaning given to it in Condition 6(d).

"**Calculation Amount**" means £1,000 in principal amount of Notes.

"**Cancellation Date**" means (i) with respect to any Note for which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the applicable Settlement Date and (ii) with respect to any Note for which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the Final Cancellation Date.

"**Cash Dividend**" means any dividend or distribution in respect of the ordinary shares to shareholders of the Issuer which is to be paid or made in cash (in whatever currency), and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital.

"**Certificate**" has the meaning given to it in Condition 1.

"**Chapter 4**" has the meaning given to it in Condition 6.

"**Clearing Systems**" means Clearstream Banking, S.A. and Euroclear Bank S.A./N.V.

"**Code**" has the meaning given to it in Condition 11.

"**Common Equity Tier 1**" means, at any time, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital of the Group at such time, less any deductions from common equity tier 1 capital of the Group required to be made at such time, in each case as calculated by the Issuer on a consolidated basis, in accordance with the then prevailing Regulatory Capital Requirements applicable to the Group at such time, but without applying the transitional provisions under the Regulatory Capital Requirements which are applicable at such time (unless such transitional provisions are permitted to be applied for these purposes under such Regulatory Capital Requirements) (which calculation shall be binding on the Trustee and the Holders). For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term (or any successor term) in accordance with the Regulatory Capital Requirements then applicable to the Group.

"**Common Equity Tier 1 Capital Ratio**" means, at any time, the ratio of Common Equity Tier 1 of the Group at such time to the Risk Weighted Assets of the Group at such

time, expressed as a percentage and on the basis that all measures used in such calculation shall be calculated without applying any transitional provisions under the Regulatory Capital Requirements which are applicable at such time (unless such transitional provisions are permitted to be applied for these purposes under such Regulatory Capital Requirements).

"**Companies Act**" means the Companies Act 2006.

"**Competent Authority**" means the United Kingdom Prudential Regulation Authority or any successor or replacement thereto or such other authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the prudential oversight and supervision of the Issuer and/or the Group.

"**Conditions**" means these terms and conditions of the Notes, as amended from time to time.

"**Conversion Date**" means the date on which the Automatic Conversion shall take place, or has taken place, as applicable.

"**Conversion Price**" means £1.19 per Conversion Share, subject to adjustment in accordance with Condition 10.

"**Conversion Shares**" means the ordinary shares of the Issuer currently with a nominal value of £0.10 each to be issued to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price on the Conversion Date rounded down, if necessary, to the nearest whole number of ordinary shares.

"**Conversion Shares Depositary**" means a financial institution, trust company, depositary entity, nominee entity or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Holders, to hold the Conversion Shares (and any Conversion Shares Offer Consideration) on behalf of such Holders in one or more segregated accounts unless otherwise required for the purposes of the Conversion Shares Offer and, in any event, on terms consistent with these Conditions.

"**Conversion Shares Offer**" has the meaning given to it in Condition 9(d).

"**Conversion Shares Offer Agent**" means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depositary by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depositary to facilitate a Conversion Shares Offer.

"**Conversion Shares Offer Consideration**" means in respect of each Note (i) if all of the Conversion Shares are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note, (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note and (y) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares, and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Note rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of

the transfer of any interest in the Conversion Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer.

"Conversion Shares Offer Notice" means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 15 specifying (i) whether or not the Issuer has elected that a Conversion Shares Offer be made and, if so, the Conversion Shares Offer Period, (ii) the Suspension Date and (iii) details of the Conversion Shares Depositary or, if the Issuer has been unable to appoint a Conversion Shares Depositary, such other arrangements for the issuance and/or delivery of the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances.

"Conversion Shares Offer Period" means the period during which the Conversion Shares Offer may occur, which period shall end no later than 40 Business Days after the delivery of the Conversion Shares Offer Notice.

"Conversion Shares Settlement Notice" means a written notice to be delivered by a Holder to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions), with a copy to the Trustee, no earlier than the Suspension Date containing the following information: (i) the name of the Holder, (ii) the aggregate amount of the Authorised Denomination of the Notes held by such Holder on the date of such notice, (iii) the name to be entered in the Issuer's share register, (iv) the details of the CREST or other clearing system account or, if the Conversion Shares are not a participating security in CREST or another clearing system, the address to which the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) and/or cash (if not expected to be delivered through the Clearing Systems) should be delivered and (v) such other details as may be required by the Conversion Shares Depositary.

"Conversion Shares Settlement Request Notice" means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 15 on the Suspension Date requesting that Holders complete a Conversion Shares Settlement Notice and specifying (i) the Notice Cut-off Date and (ii) the Final Cancellation Date.

"Current Market Price" means, in respect of an ordinary share at a particular date, the average of the daily Volume Weighted Average Price of an ordinary share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; **provided that**, if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement), then:

- (i) if the ordinary shares to be issued do not rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (ii) if the ordinary shares to be issued do rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating

to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and **provided further that**, if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) in respect of a Cash Dividend (or other entitlement) which has been declared or announced but the ordinary shares to be issued do not rank for that Cash Dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit, and **provided further that**, if the Volume Weighted Average Price of an ordinary share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

"**Day-Count Fraction**" shall be calculated on the basis of: (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by; (ii) the actual number of days from and including the Accrual Date (or, if the relevant accrual period falls within the short first Interest Period, from and including the date falling 6 months prior to the first Interest Payment Date) to but excluding the next following Interest Payment Date multiplied by two.

"**dealing day**" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which ordinary shares may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**Dispute**" has the meaning given to it in Condition 19(b).

"**Distributable Items**" means, to the extent such definition is not amended or otherwise modified in the Regulatory Capital Requirements after the Issue Date (in which case such amended or modified definition shall apply), in relation to an Interest Amount (or part thereof):

- (i) the amount of the profits of the Issuer as at the end of the financial year immediately preceding the relevant Interest Payment Date plus any profits brought forward and reserves available for that purpose before distributions to holders of other own funds instruments of the Issuer (other than Tier 2 Capital instruments); less
- (ii) any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non- distributable reserves in accordance with the Companies Act or the articles of association of the Issuer,

those profits, losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of its consolidated accounts.

"**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 the same may be amended from time to time.

"Effective Date" means, for the purposes of Condition 10(a)(iii), the first date on which the ordinary shares are traded ex-rights, on the Relevant Stock Exchange and, for the purposes of Condition 10(a)(iv), the first date on which the ordinary shares are traded ex-the relevant Cash Dividend on the Relevant Stock Exchange.

"Exempt Newco Scheme" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as the Issuer or Newco may determine.

"Existing Shareholders" has the meaning given to it in the definition of Newco Scheme.

"Extraordinary Dividend" means any Cash Dividend that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders as a class or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend.

"Extraordinary Resolution" has the meaning given to it in the Trust Deed.

"EU CRD" means:

- (i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended before IP completion day; and
- (ii) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended before IP completion day.

"FATCA Withholding Tax" has the meaning given to it in Condition 11(a).

"Final Cancellation Date" means the date on which the Notes in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary on or before the Notice Cut-off Date shall be cancelled, which date may be up to 12 Business Days following the Notice Cut-off Date.

"First Reset Date" has the meaning given to it in Condition 6(b).

"Governmental Entity" means (i) the United Kingdom Government, (ii) an agency of the United Kingdom Government or (iii) a person or entity (other than a body corporate) controlled by the United Kingdom Government or any such agency referred to in (ii). If the Issuer is then organised in another jurisdiction, the references to "United Kingdom Government" shall be read as references to the government of such other jurisdiction.

"Group" means the Issuer and each entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements) of which the Issuer is part from time to time.

"Independent Financial Adviser" means an independent financial institution of international repute appointed by the Issuer at its own expense.

"Initial Interest Rate" has the meaning given to it in Condition 6(b)(i).

"Interest Amount" means the amount of interest payable on each Note on an Interest Payment Date, subject to Condition 6.

"Interest Payment Date" has the meaning given to it in Condition 6(b).

"**Interest Period**" has the meaning given to it in Condition 6(b).

"**Interest Rate**" means the Initial Interest Rate and/or the applicable Reset Interest Rate, as the case may be.

"**IP completion day**" has the meaning given in the Withdrawal Act.

"**Issue Date**" means 8 December 2023.

"**Issuer**" has the meaning given to it in the preamble to these Conditions.

"**LSE**" means the London Stock Exchange plc.

"**Margin**" has the meaning given to it in Condition 6(d).

"**Maximum Distributable Amount**" has the meaning given to it in Condition 6(a).

The "**New Conversion Condition**" shall be satisfied if (a) by not later than seven Business Days following the completion of a Takeover Event where the Acquirer is an Approved Entity, there shall be arrangements in place with the Trustee for the benefit of the Holders for the Approved Entity to provide for issuance of Approved Entity Shares following an Automatic Conversion of the Notes on terms *mutatis mutandis* identical to Condition 9(a) and 9(b) and (b) the Issuer, in its sole and absolute discretion has determined that such arrangements are in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body).

"**New Conversion Price**" means the amount determined in accordance with the following formula, which shall apply from the QTE Effective Date:

$$\text{NCP} = \text{ECP} * (\text{VWAPAES}/\text{VWAPOS})$$

where:

"**NCP**" is the New Conversion Price.

"**ECP**" is the Conversion Price in effect on the dealing day immediately prior to the QTE Effective Date.

"**VWAPAES**" means the average of the Volume Weighted Average Price of the Approved Entity Shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day prior to the closing date of the Takeover Event (and where references in the definition of "**Volume Weighted Average Price**" to "**ordinary share**" shall be construed as a reference to the Approved Entity Shares and in the definition of "**dealing day**," references to the "**Relevant Stock Exchange**" shall be to the relevant Recognised Stock Exchange on which the Approved Entity Shares are then listed, admitted to trading or quoted or accepted for dealing).

"**VWAPOS**" is the average of the Volume Weighted Average Price of the ordinary shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day immediately prior to the closing date of the Takeover Event.

"**Newco**" has the meaning given to it in the definition of Newco Scheme.

"**Newco Scheme**" means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which effects the interposition of a limited liability company ("**Newco**") between the shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; **provided that:** (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing

ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

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

"Holder" has the meaning given to it in Condition 1.

"Notice Cut-off Date" means the date specified as such in the Conversion Shares Settlement Request Notice, which date shall be at least 40 Business Days following the Suspension Date.

"Notional Preference Share" has the meaning given to it in Condition 5(a).

"ordinary shares" means (a) prior to the QTE Effective Date, fully paid ordinary shares in the capital of the Issuer currently with a nominal value of £0.10 each and (b) on and after the QTE Effective Date, the relevant Approved Entity Shares.

"own funds" has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

"own funds instruments" has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

"Parity Obligations" means any obligations of the Issuer (including any guarantee or other support obligations) which rank, or are expressed to rank, *pari passu* with the Issuer's obligations in respect of the Notes on a winding-up of the Issuer prior to a Trigger Event (and, for the avoidance of doubt, shall include any other Additional Tier 1 Capital securities of the Issuer (if any) from time to time outstanding).

"Paying Agent" means each entity appointed as a paying agent from time to time pursuant to the Agency Agreement.

"payment business day" has the meaning given to it in Condition 7(d).

a "person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity.

"Performance Obligation" has the meaning given to it in Condition 13(a)(ii).

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon, London time, on that date as appearing on or derived from the relevant page on Bloomberg (or such other information service provider that displays the relevant information) or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon, London time, on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the relevant page on Bloomberg (or such other information service provider that displays the relevant information), the rate determined in such other manner as an Independent Financial Adviser shall in good faith prescribe.

"**PRA Rulebook**" means the rulebook of the Competent Authority, as amended from time to time.

"**Principal Paying Agent**" means Citibank N.A., London Branch and any successor principal paying agent appointed from time to time in connection with the Notes.

"**QTE Effective Date**" means the date with effect from which the New Conversion Condition shall have been satisfied.

"**Qualifying Takeover Event**" means a Takeover Event where: (i) the Acquirer is an Approved Entity; and (ii) the New Conversion Condition is satisfied.

"**Qualifying Additional Tier 1 Securities**" means securities issued by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes being substituted or varied (as reasonably determined by the Issuer) and provided that a certification by two Authorised Signatories of the Issuer to such effect, and certifying that the conditions precedent to such substitution or variation in Condition 8(f) have been satisfied shall have been delivered to the Trustee prior to the issue or, as appropriate, variation of the relevant securities, and, subject thereto, which:
 - (i) contain terms which comply with the then current minimum requirements of the Competent Authority in relation to Additional Tier 1 Capital, required to ensure that such Qualifying Additional Tier 1 Securities qualify as Additional Tier 1 Capital;
 - (ii) include terms which provide for the same Interest Rate or rate of return from time to time applying to the Notes, and preserve the Interest Payment Dates;
 - (iii) rank senior to, or *pari passu* with, the ranking of the Notes;
 - (iv) preserve any existing rights under the Conditions to any accrued interest or other amounts which have not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation (but without prejudice to the right of the Issuer to cancel the same under the terms of the Qualifying Additional Tier 1 Securities);
 - (v) 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;
 - (vi) have the same currency as the Notes;
 - (vii) to the extent that such securities are issued indirectly, benefit from a subordinated guarantee from the Issuer which ranks at least *pari passu* with the Notes and any other Additional Tier 1 Capital securities of the Issuer (if any) from time to time outstanding; and
 - (viii) where the Notes had a published solicited rating from one or more rating agencies immediately prior to their substitution or variation, have been assigned by each such rating agency, or each such rating agency has informed the Issuer by an announcement or otherwise of its intention to assign, an equal or higher published solicited rating.
- (b) if the Notes are listed on the International Securities Market of the London Stock Exchange plc (the "**ISM**") (i) are listed on the ISM or (ii) listed on such other international stock exchange at that time as selected by the Issuer.

"Recognised Stock Exchange" means an EEA Regulated Market, a UK Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in the United Kingdom or another OECD member state.

"Record Date" has the meaning given to it in Condition 7(f).

"Register" has the meaning given to it in Condition 1.

"Registrar" means Citibank N.A., London Branch or such other registrar appointed by the Issuer from time to time in respect of the Notes in accordance with these Conditions.

"Regulatory Capital Requirements" means, at any time, any requirements contained in the laws, regulations, requirements, standards, guidelines and policies of either (i) the Competent Authority and/or (ii) any other national and/or European authority, then in effect in the United Kingdom (or in such other jurisdiction in which the Issuer may be incorporated or domiciled) relating to capital adequacy and/or minimum requirements for own funds and/or loss absorbing capacity for credit institutions and applicable to the Issuer and/or the Group including, as at the date hereof, UK CRD.

"Regulatory Event" has the meaning given to it in Condition 8(c).

"Regulatory Preconditions" means, in relation to any purchase or redemption of the Notes, to the extent required by prevailing Regulatory Capital Requirements:

- (i)
 - (A) the Group having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Group; or
 - (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Group would, following such purchase or redemption, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and
- (ii) in the case of a redemption pursuant to Condition 8(c) or 8(d) or 8(e) or purchase pursuant to Condition 8(g), in each case occurring prior to the fifth anniversary of the Issue Date only (or, if any further securities have been issued pursuant to Condition 18 and consolidated with the Notes as the same series, occurring prior to the fifth anniversary of the issue date of such latest securities issued):
 - (A) in the case of a redemption due to the occurrence of a Regulatory Event, the Competent Authority considering such change to be sufficiently certain and the Issuer having demonstrated to the satisfaction of the Competent Authority that such Regulatory Event was not reasonably foreseeable as at the Issue Date;
 - (B) in the case of a redemption due to the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable as at the Issue Date;
 - (C) in the case of any redemption pursuant to Condition 8(e) or purchase pursuant to Condition 8(g), the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Group and the Competent Authority has permitted that 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) in the case of any purchase pursuant to Condition 8(g), the Notes are repurchased for market making purposes in accordance with applicable Regulatory Capital Requirements,

provided that if, at the time of such purchase or redemption the prevailing Regulatory Capital Requirements permit the purchase or redemption after compliance with one or more alternative or additional pre-conditions to those set out in paragraphs (i) and (ii) of this definition, the Issuer having complied with such other pre-condition(s) in addition to or in lieu of the above pre-conditions.

The granting of Supervisory Permission in respect of such purchase or redemption shall be treated (without liability) by the Issuer, the Trustee, the Holders and all other interested parties as conclusive and sufficient evidence of the satisfaction of these pre-conditions.

"Relevant Currency" means sterling or, if at the relevant time or for the purposes of the relevant calculation or determination the LSE is not the Relevant Stock Exchange, the currency in which the ordinary shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"Relevant Date" means (A) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, whichever is the later of: (1) the date on which the payment in question first becomes due; and (2) if the full amount payable has not been received by the Registrar or another Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders and (B) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed).

"Relevant Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

"Relevant Stock Exchange" means the LSE or, if at the relevant time the ordinary shares are not at that time listed and admitted to trading on the LSE, the principal stock exchange or securities market on which the ordinary shares are then listed, admitted to trading or quoted or accepted for dealing.

"Reserved Matter" has the meaning given to it in Condition 16(a).

"Reset Date" means the First Reset Date and each fifth anniversary date thereafter.

"Reset Determination Date" has the meaning given to it Condition 6(d).

"Reset Interest Rate" has the meaning given to it in Condition 6(d).

"Reset Period" means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

"Reset Reference Bank Rate" has the meaning given to it in Condition 6(d).

"Reset Reference Banks" has the meaning given to it in Condition 6(d).

"Risk Weighted Assets" means, at any time, the aggregate amount, expressed in pounds sterling, of the total risk exposure amount of the Group at such time, as calculated by the Issuer on a consolidated basis, in accordance with the then prevailing Regulatory Capital Requirements applicable to the Group at such time (which calculation shall be binding on the Trustee and the Holders). For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer, in accordance with the prevailing Regulatory Capital

Requirements applicable to the Group, without applying any transitional provisions under the Regulatory Capital Requirements which are applicable at such time (unless such transitional provisions are permitted to be applied for these purposes under such Regulatory Capital Requirements).

"**Scheme of Arrangement**" has the meaning given to it in the definition of Newco Scheme.

"**Senior Creditors**" means creditors of the Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a winding-up of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders in a winding-up occurring prior to the Trigger Event.

"**Settlement Date**" means (i) with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the later of (a) the date that is two Business Days after the end of the relevant Conversion Shares Offer Period and (b) the date that is two Business Days after the date on which such Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary and (ii) with respect to any Note in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the date on which the Conversion Shares Depositary delivers the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable.

"**shareholders**" means the holders of ordinary shares.

"**Solvency Condition**" has the meaning given to it in Condition 4(a).

"**£**", "**sterling**" and "**pounds sterling**" are to the lawful currency for the time being of the United Kingdom.

"**Subsidiary**" has the meaning given to it in Section 1159 of the Companies Act.

"**Supervisory Permission**" means, in relation to any actions, such supervisory permission required therefor within prescribed periods from, the Competent Authority, or such waiver of the then prevailing Regulatory Capital Requirements from the Competent Authority, as is required under the then prevailing Regulatory Capital Requirements.

"**Suspension Date**" means, with respect to each Clearing System, the date specified in the Conversion Shares Offer Notice as the date on which such Clearing System shall suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures, which date shall be no later than 38 Business Days after the delivery of the Conversion Shares Offer Notice to such Clearing System (and, if the Issuer elects that a Conversion Shares Offer be made, such date shall be at least two Business Days prior to the end of the relevant Conversion Shares Offer Period).

A "**Takeover Event**" shall occur if an offer is made to all (or as nearly as may be practicable all) shareholders (or all (or as nearly as may be practicable all) such shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme with regard to such acquisition and (such offer or scheme having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in any person and/or any associate of that person (as

defined in Section 988(1) of the Companies Act), in each case, other than in the event of a Newco Scheme.

"Takeover Event Notice" means the notice to the Holders in accordance with Condition 15 notifying them that a Takeover Event has occurred and specifying: (1) the identity of the Acquirer; (2) whether the Takeover Event is a Qualifying Takeover Event or not; (3) in the case of a Qualifying Takeover Event, if determined at such time, the New Conversion Price; and (4) if applicable, the QTE Effective Date.

"Tax Event" has the meaning given to it in Condition 8(d).

"Taxes" has the meaning given to it in Condition 11(a).

"Tier 1 Capital" has the meaning given to it (or any successor such term) from time to time in the Regulatory Capital Requirements.

"Tier 2 Capital" has the meaning given to it (or any successor such term) from time to time in the Regulatory Capital Requirements.

"Transfer Agent" means Citibank N.A., London Branch.

"Trigger Event" means the Common Equity Tier 1 Capital Ratio of the Group falls below 7.00 per cent.

"Trustee" means Citicorp Trustee Company Limited or such other trustee appointed by the Issuer from time to time in respect of the Notes in accordance with the Conditions and the Trust Deed.

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

"UK CRD" means the legislative package consisting of:

- (i) the UK CRD Regulation;
- (ii) the law of the UK or any part of it, which immediately before IP completion day implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures; and
- (iii) direct EU legislation (as defined in the Withdrawal Act), which immediately before IP completion day implemented EU CRD as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act.

"UK CRD Regulation" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended before IP completion day, as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act.

"UK Regulated Market" means a regulated market for the purposes of Regulation (EU) No. 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act.

"Volume Weighted Average Price" means, in respect of an ordinary share (or an Approved Entity Share, as applicable) on any dealing day, the order book volume-weighted average price of an ordinary share (or Approved Entity Share, as applicable) published by or derived from the relevant Bloomberg page or such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, **provided that** if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an ordinary share (or an Approved Entity Share, as applicable) in respect of such

dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or determined as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

"**Winding-Up**" has the meaning given to it in Condition 5(a).

"**Winding-Up Event**" means with respect to the Notes, if:

- (i) a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer may be incorporated) makes an order for the winding-up of the Issuer which is not successfully appealed within 30 days of the making of such order, or the Issuer's shareholders adopt an effective resolution for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Holders and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);
- (ii) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or
- (iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

"**Withdrawal Act**" means the European Union (Withdrawal) Act 2018.

(b) *Construction of certain references*

In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (ii) references to any issue or offer or grant to shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all shareholders, as the case may be, other than shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
- (iii) references to "**ordinary share capital**" has the meaning provided in Section 1119 of the Corporation Tax Act 2010 and "equity share capital" has the meaning provided in Section 548 of the Companies Act;
- (iv) references to the "issue" of Conversion Shares shall include the transfer and/or delivery of Conversion Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing;
- (v) ordinary shares held by the Issuer or any of its Subsidiaries shall not be considered as or treated as "in issue";
- (vi) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and
- (vii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes are represented by a Global Certificate that is registered in the name of a nominee for, and deposited with, a common depository for the Clearing Systems.

The Global Certificate contains provisions that modify the Conditions as they apply to the Notes evidenced by the Global Certificate, and a summary of certain of those provisions is set out below.

Exchange for Individual Certificates

Registration of title to Notes in a name other than that of a nominee for the Clearing Systems will be permitted only if (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) any of the circumstances described in Condition 13 (*Non-Payment when due and Winding-Up Event*) occurs. The Issuer shall notify the registered holder of the Global Certificate of the occurrence of any of the events specified in (i) and (ii) as soon as practicable thereafter.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates shall be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any registered holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has either the office identified with its name in the Conditions of the Notes or any other office notified to any relevant parties pursuant to the Agency Agreement.

Accountholder

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Holders) 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 and the Trustee, solely in the registered holder of the Global Certificate in accordance with and subject to the terms of the Global Certificate and the Trust Deed.

Transfers

Book-entry interests in the Notes represented by the Global Certificate are transferable only in accordance with, and subject to, the provisions hereof and the rules and operating procedures of the Clearing Systems. Transfers of such book-entry interests will be effected through the records of the Clearing Systems and their respective direct and indirect participants in accordance with the rules and procedures of the Clearing Systems and their respective direct and indirect participants.

Payments

Payments due in respect of Notes represented by the Global Certificate which, according to the Conditions, require surrender or endorsement of a Certificate, shall be made to or to the order of the registered holder and such payment will discharge the obligations of the Issuer in respect of the relevant payment under the Notes. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg as the case may be, for its share of each payment made to or to the order of the registered holder.

Notices

Notwithstanding Condition 15 (*Notices*) and Condition 9 (*Automatic Conversion*), so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of the Clearing Systems, or any other clearing system (an "**Alternative Clearing System**"), notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be) for communication to the relative accountholders rather than by publication as required by Condition 15 (*Notices*) **provided that**, so long as the Notes are admitted to listing or trading on any stock exchange, such notice is also given in a manner which complies with the rules and regulations of such stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the Holders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be) as aforesaid.

Conversion Shares Settlement Notice

Notwithstanding Condition 9(e)(vii) (*Automatic Conversion—Settlement Procedure*), so long as the Notes are represented by the Global Certificate deposited with a depository or a common depository for the Clearing Systems or an Alternative Clearing System, a Conversion Shares Settlement Notice may be given by a Holder by delivering it to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System and, in any case, such notices shall be deemed to have been delivered to the Conversion Shares Depository on the date of delivery of such notice to the Conversion Shares Depository by Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System and/or its depository or common depository.

Cash component

Notwithstanding Condition 9(e)(iii) (*Automatic Conversion—Settlement Procedure*), so long as the Notes are represented by the Global Certificate deposited with a depository or a common depository for the Clearing Systems or an Alternative Clearing System, the cash component, if any, of any Conversion Shares Offer Consideration will be delivered through the facilities of the Clearing Systems on or around the date on which the Conversion Shares Offer Period ends, subject to the applicable rules and operating procedures of the Clearing System in effect at such time.

Payment Business Day

In the case of all payments made in respect of the Global Certificate, so long as the Global Certificate is held on behalf of a Clearing System or an Alternative Clearing System, the definition for "**payment business day**" in Condition 7(d) (*Payment on Business Days*) shall be amended and shall be any day on which banks are open for general business (including dealings in foreign currencies) in London.

Record Date

For so long as all Notes are held in the Clearing Systems, the Record Date shall be determined in accordance with Condition 7(f) (*Record date*) **provided that** the words "fifteenth day" shall be deemed to be replaced with "Clearing System Business Day". "**Clearing System Business Day**" means a day on which each clearing system is open for business.

Calculation of interest

For so long as all of the Notes outstanding are represented by the Global Certificate, interest will be calculated in respect of the aggregate principal amount of the Notes represented by the Global Certificate (and not per Calculation Amount as provided in Condition 6(c) (*Calculation of interest*)) but otherwise in accordance with Condition 6 (*Interest*).

Clearing Systems

References in the Global Certificate and in these Listing Particulars to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

Electronic Consent and Written Resolution

For so long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of the Clearing Systems and/or an Alternative Clearing System then, in respect of any resolution proposed by the Issuer or the Trustee:

- (a) where the terms of the resolution proposed by the Issuer or the Trustee (as the case may be) have been notified to the Holders through the Clearing Systems and/or an Alternative Clearing System as provided in the Trust Deed, each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing Systems and/or an Alternative Clearing System, as the case may be, to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Notes outstanding by close of business on the relevant time and date for the blocking of their accounts in the relevant Clearing System and/or Alternative Clearing System (an "**Electronic Consent**"). Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Neither the Issuer nor the Trustee shall be liable or responsible to anyone for such reliance; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, (i) by accountholders in the Clearing Systems and/or an Alternative Clearing System, as the case may be, with entitlements to such Global Certificate and/or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that Accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, the Clearing Systems and/or an Alternative Clearing System, as the case may be, and, in the case of (ii) above, the Clearing Systems and/or an Alternative Clearing System, as the case may be, and the accountholder identified by the relevant clearing system for the purposes of (ii) above. Any Written Resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EasyWay or Clearstream, Luxembourg's Xact Web Portal) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for the general corporate purposes of the Group including down-streaming of funds to the Bank in the form of subordinated debt intended to qualify as Additional Tier 1 capital of the Bank. The Issuer will have the discretion to restructure any investment made with the proceeds at any time.

INFORMATION ON THE ISSUER

The Issuer was incorporated in England and Wales on 18 May 2015, with registered number 9595911, under the Companies Act 2006, (including all modification and re-enactments for the time being in force (the "**Companies Act**")) as a public limited company limited by shares. On 15 October 2018, the Issuer acquired the entire issued share capital of Virgin Money Holdings (UK) plc (the parent company of Virgin Money plc). Subsequently on 30 October 2019, the Issuer changed its name from CYBG PLC to Virgin Money UK PLC. The registered office of the Issuer is at Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL, United Kingdom (telephone number +44 (0)800 345 7365). The head office of the Issuer is at 177 Bothwell Street, Glasgow, G2 7ER, United Kingdom (telephone number +44 (0)141 248 7070).

Corporate Structure

The Issuer is the ultimate parent company of Clydesdale Bank and the Group and owns 100 per cent. of the ordinary shares of Clydesdale Bank, which is the main operating company in the Group.

The Group's long-term corporate locations are centred around two key locations in Glasgow and Gosforth, which are supported by various regional locations.

The average number of full-time employees employed by the Group in the financial year ended 30 September 2023 was 7,166 and the Group's employee engagement score, as measured by the Group's annual independent employee survey, was 80 per cent. during the financial year ended 30 September 2023.

Clydesdale Bank has no material operations outside the UK. The Issuer does not currently hold a UK banking licence. Clydesdale Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No 121873.

Principal Shareholders

As at the date of these Listing Particulars, the Issuer's issued and fully paid-up capital consists of 1,329,655,432 ordinary shares of nominal value of £0.10 each. The following table contains information regarding the only persons the Issuer knows of as at the date of these Listing Particulars that beneficially own 3 per cent. or more of its shares.

Shareholders	Number of Shares	Percentage of Issued Share Capital
Virgin Group Holdings Limited	188,083,550	14.15
Ubique Asset Management Pty Ltd	68,604,598	5.16
Firetrail Investments Pty Limited	68,301,461	5.14
Blackrock, Inc	67,929,241	5.11
Perpetual Limited and Subsidiaries	60,787,499	4.57
Investors Mutual Limited	53,659,761	4.04
Schroders PLC	44,572,459	3.35
NM Superannuation Proprietary Limited, AMP Capital Investors Limited, Ipac Asset Management Limited, AMP Capital Investors (NZ) Limited	43,123,688	3.24
Pendal Group Limited	42,606,042	3.20
Sumitomo Mitsui Trust Holdings, Inc	42,516,084	3.20
Cooper Investments Pty Ltd	41,769,450	3.14

Ratings

As at the date of these Listing Particulars, the long-term Issuer Rating assigned to the Issuer by Moody's was Baa1, the long-term Issuer Default Rating assigned to the Issuer by Fitch was BBB+ and the long-term Issuer Credit Rating assigned to the Issuer by S&P was BBB-.

INFORMATION ON THE GROUP

Overview

Headquartered in Glasgow, the Group is a retail and business bank and offers a diverse range of personal and business financial products to its c.6.5 million customers. The Group's strategic ambition is "To be the UK's best digital bank".

History of the Group

Set out below are certain key milestones in the Group's development:

1838 - The Bank is founded in Glasgow, Scotland.

1859 - Yorkshire Bank is founded in Halifax, West Yorkshire, England.

1877 - The Bank establishes a presence in London.

1911 - Yorkshire Bank incorporates as The Yorkshire Penny Bank Limited.

1920 - Midland Bank buys the Bank.

1987 - National Australia Bank ("NAB") acquires the Bank.

1990 - NAB acquires Yorkshire Bank.

2001 - The Bank and Yorkshire Bank's banking licences are merged pursuant to the National Australia Group Europe Act 2001, a UK Private Act of Parliament. In 2004, the Bank assumed all assets, rights, liabilities and obligations of Yorkshire Bank.

2012 - Virgin Money Holdings (UK) Limited acquired the entire issued share capital of Northern Rock plc from HMT. As a result, Northern Rock plc became part of the Virgin Money Holdings (UK) Limited Group and was renamed Virgin Money plc.

2014 - Virgin Money Holdings (UK) Limited was re-registered as a public limited company and listed on the London Stock Exchange via an initial public offering.

2015 - The first polymer banknotes in Great Britain are issued by the Bank.

2016 - Successful conclusion of the CYBG Group's demerger from NAB and the initial public offering of the Company (as CYBG PLC).

2018 - The Company (as CYBG PLC) acquired VMH. Each VMH share was exchanged for 1.2125 CYBG PLC shares. As a result, VMH was delisted from the London Stock Exchange and Virgin Money plc became a subsidiary of the Company.

2019 - The Court of Session in Edinburgh, approved a banking business transfer scheme under Part VII of the FSMA and the business of Virgin Money plc was transferred to the Bank for a cash consideration of £10 million. The total assets and total liabilities transferred were £49 billion and £47 billion, respectively. On 30 October 2019, the Company changed its name from CYBG PLC to Virgin Money UK PLC and its registered office address to Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL.

2020 - Rebranding is executed.

Recent Financial Performance

The Company

References to the Company financial information below are to the consolidated financial information of the Company.

As at 30 September 2023, the Company had total assets of £91,786 million (FY2022: £91,907 million) of which £72,754 million (FY2022: £72,565 million) was lending to customers. The customer lending

comprised of £57,497 million (FY2022: £58,155 million) of mortgages, £6,519 million (FY2022: £6,163 million) of personal lending and £8,738 million (FY2022: £8,247 million) of business lending, which includes £625 million (FY2022: £963 million) under UK Government schemes.

Total customer deposits as at 30 September 2023 were £66,609 million (FY2022: £65,360 million). This comprised of £35,394 million (FY2022: £34,649 million) of relationship (current account and linked savings) deposits, £9,741 million (FY2022: £17,048 million) of non-linked savings and £21,474 million (FY2022: £13,663 million) of term deposits.

On a statutory basis, profit on ordinary activities before tax was £345 million for the financial year ended 30 September 2023 (FY2022: £595 million). Net interest income was £1,687 million (FY2022: £1,576 million) and non-interest income was £140 million (FY2022: £140 million), resulting in a total operating income for the financial year ended 30 September 2023 of £1,827 million (FY2022: £1,716 million). Total operating and administrative expenses were £1,173 million (FY2022: £1,069 million), leading to an operating profit before impairment losses of £654 million (FY2022: £647 million) and a statutory cost-to-income ratio for the financial year ended 30 September 2023 of 64.2 per cent. (FY2022: 62.3 per cent.). The statutory impairment charge on credit exposures for the financial year ended 30 September 2023 was £309 million (FY2022: £52 million). For the financial year ended 30 September 2023, the statutory return on assets was 0.27 per cent. (FY2022: 0.60 per cent.) and the statutory return on tangible equity ("**RoTE**") was 3.9 per cent. (FY2022: 10.3 per cent.).

On an underlying basis, profit on ordinary activities before tax was £593 million for the financial year ended 30 September 2023 (FY2022: £776 million). Net interest income was £1,716 million (FY2022: £1,592 million) and non-interest income was £157 million (FY2022: £150 million), resulting in a total operating income for the financial year ended 30 September 2023 of £1,873 million (FY2022: £1,742 million). Net interest margin was 1.91 per cent. (FY2022: 1.85 per cent.). Total operating and administrative expenses for the financial year ended 30 September 2023 were £971 million (FY2022: £914 million), leading to an operating profit before impairment losses of £902 million (FY2022: £828 million) and an underlying cost-to-income ratio of 51.9 per cent. (FY2022: 52.5 per cent.). The underlying impairment charge on credit exposures for the financial year ended 30 September 2023 was £309 million (FY2022: £52 million). For the financial year ended 30 September 2023, the underlying RoTE was 7.6 per cent. (FY2022: 13.3 per cent.).

During the financial year ended 30 September 2023, on a consolidated basis:

- At an aggregate level, Group lending was broadly stable at £72,754 million (FY2022: £72,565 million) as growth in Business and Unsecured lending offset a reduction in Mortgages.
- Mortgage balances reduced by (1.1) per cent. to £57,497 million (FY2022: £58,155 million) with reduced demand reflecting slower market activity and demand, owing to the higher rate environment, affordability pressures and wider cost of living considerations. Against this subdued market backdrop, the Group traded to preserve profitability, although competition remained intense resulting in completion spreads remaining below book spreads during the financial year.
- Business lending increased overall by 6.0 per cent. during the year to £8,738 million (FY2022: £8,247 million), driven by growth in non-government scheme lending, which increased by 11.4 per cent. to £8,113 million (FY2022: £7,284 million). This performance was supported by the strength of the Group's franchise and sector specialisms in the Group's target market segments. UK Government-scheme balances declined 35.1 per cent. to £625 million (FY2022: £963 million) as expected, as borrowers made contractual repayments.
- Unsecured lending increased 5.8 per cent. in the year to £6,519 million (FY2022: £6,163 million), driven mainly by credit card growth. This performance was supported by resilient demand from existing customers and ongoing new credit card sales as the Group maintained its c.8 per cent. market share of balances. During the year, the Group observed customer behavioural activity outperforming assumptions, resulting in the card effective interest rate (EIR) asset performing better than expected. Personal loans and overdraft balances reduced £0.2 billion during the year to £0.7bn, in line with expectations.
- Customer deposits increased by £1,249 million or 1.9 per cent. during the financial year to £66,609 million (FY2022: £65,360 million). The Group continued to execute against its strategy and

optimise its mix of deposits during the period, as relationship deposits grew by £745 million, supported by strong customer propositions and competitive rates. The Group actively increased its participation in the term deposit market early in the year to offset deposit migration. Term deposits increased by £7,811 million and were acquired at attractive spreads, locking in term funding at pricing below swaps. Non-linked saving balances reduced by £7,307 million during the period, given higher attrition and churn from the back book and as the Group prioritised the good value opportunities available in the term deposit market.

- Net interest margin (NIM) of 1.91 per cent. (FY2022: 1.85 per cent.) was significantly improved year-on-year, given the higher rate environment and strategic execution, supporting growth in underlying income of 8 per cent. relative to FY2022. Underlying costs were 6 per cent. higher compared to FY2022 reflecting gross cost savings from the restructuring programme offset by inflation, investment and temporary higher customer service-related costs. Taken together, this resulted in a stable underlying cost: income ratio of 51.9 per cent. (FY2022: 52.5 per cent.).
- Expected credit loss ("**ECL**") provisions increased to £617 million at FY2023 (FY2022: £457 million), resulting in higher aggregate provision coverage of 84bps (FY2022: 62bps). This was mainly due to a higher modelled ECL, particularly in credit cards, in anticipation of a continued increase in arrears reflecting revised macroeconomic assumptions and credit bureau data. The updated economic outlook showed a slower recovery in the outer years compared to September 2022, whilst updated credit bureau data was also modestly weaker. Accordingly, the modelled and individually assessed (IA) ECL increased by £169 million to £541 million (FY2022: £372 million), while management adjustments (MAs) reduced to £76 million (FY2022: £85 million). The combination of these factors resulted in a £309 million ECL charge during the period (FY2022: £52 million), equivalent to a cost of risk of 42bps (FY2022: 7bps). The Group continues to have a defensive portfolio comprising 79 per cent. low-risk mortgages, 12 per cent. business lending and 9 per cent. in its unsecured book.

Strategy of the Group

The Group remains committed to its strategy outlined in November 2021, albeit with some recalibrations as the internal and external context evolves. The Bank's focus is on executing this strategy.

Its strategic ambition is "To be the UK's best digital bank", which is driven by its purpose of "Making you happier about money". The strategy seeks to balance the needs of all its stakeholders including customers, colleagues, regulators, investors and society. For example UK consumers and businesses have shown a growing preference for a robust digital experience and similarly, investors are keen for it to deliver robust cost outcomes, which can be enabled by strong technology.

The Group's strategic ambition is underpinned by four strategic pillars (listed below):

- Pioneering growth*** – Its unique brand and straightforward, digitally accessible products with market-defining loyalty rewards help attract and retain digitally-savvy target customers.
- Delighted customers and colleagues*** – Delighting customers by delivering outstanding experiences through digital-first interactions supported by delighted colleagues working in a healthy, flexible, digitally-led environment.
- Super straightforward efficiency*** – The Group leverages technology to drive efficiency and effectiveness, enabling it to invest back in its customers and deliver strong financial results.
- Discipline and sustainability*** – Building and operating the Group for the long term, creating positive outcomes for its customers and all its stakeholders on a consistent and sustainable basis.

The Group's strategic priorities are aligned to its sustainability goals:

- Put our (carbon) foot down*** – Reduce the negative impacts of its operations, suppliers and partners on society and the environment.
- Building a brighter future*** – Deliver products and services that help its customers make a positive impact on society and the environment.

- C. **Open doors** – Work with customers, colleagues and communities to encourage sustainable practices and economic activity that creates shared prosperity.
- D. **Straight-up ESG** – Align its strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures.

During the year ended 30 September 2023, the Group has continued to deliver on its strategic ambition by digitising further. This includes announcing the closure of 39 branches, investing further into its digital capabilities such as its app, launching an improved chatbot, and delivering the first iteration of the "Digital Wallet" which will be part of the Group's single app. Further, the Group remains committed to delighting its customers and met the regulatory requirements of Consumer Duty (as defined below) in June 2023. The Group continues to invest in its operations and technology functions to digitize further, as well as launch new and innovative commercial products e.g. Slyce, its buy now pay later proposition. The Group licences the "Virgin" and "Virgin Money" names and brands (which it does not own) from Virgin Enterprises under the Brand Licence Agreement (see "*The Group may lose the right to use the "Virgin" and "Virgin Money" brands (which it does not own)*"). The Group seeks to leverage the power of the Virgin brand and its unique values, which resonate with customers, as a key source of driving value and to help fulfil its purpose of "making you happier about money" with customers. The Company pays annual licence fees to Virgin Enterprises for its use of the Virgin brand and has commercial arrangements with other Virgin Group companies, more details of which are set out in Notes 5.3 and 6.6 to the 2023 Audited Financial Statements. The Group remains committed to leveraging its unique strength of being part of the Virgin ecosystem and this will continue being part of the Group's long-term strategy.

Other Relevant Information

Capital

The Group seeks to maintain a robust capital base which meets its regulatory requirements, supports the business and provides the capacity to deliver the Group's strategy.

By FY2024, the Group expects to be operating in its target CET1 range of 13-13.5 per cent.

On an IFRS 9 transitional basis as at 30 September 2023, based on £25,176 million (FY2022: £24,148 million) of Risk Weighted Assets, the consolidated Group's capital position was:

- Common Equity Tier 1 ratio of 14.7 per cent. (FY2022: 15.0 per cent.);
- Total Capital Ratio of 21.2 per cent. (FY2022: 22.0 per cent.);
- Tier 1 Capital Ratio of 17.1 per cent. (FY2022: 17.8 per cent.); and
- UK Leverage Ratio of 5.0 per cent. (FY2022: 5.0 per cent.).

The BoE as the UK Resolution Authority has published its framework for setting MREL. This requires the Group to hold capital resources and eligible debt instruments equal to the greater of two times the Total Capital Requirement (TCR) or two times the UK leverage ratio requirement. In addition to MREL, the Group must also hold any applicable capital buffers, which together with MREL represent the Group's loss-absorbing capacity ("**LAC**") requirement.

As at 30 September 2023, the Group's leverage-based LAC requirement of 7.8 per cent. of leverage exposures (or 26.6 per cent. when expressed as a percentage of RWAs) was greater than the RWA based LAC requirement of 26.4 per cent. of RWAs, meaning the leverage measure is the binding requirement. MREL resources were £8,034 million (FY2022: £7,742 million), equivalent to 9.3 per cent. of leverage exposures (FY2022: 9.0 per cent.) or 31.9 per cent. when expressed as a percentage of RWAs (FY2022: 32.1 per cent.). This provides prudent headroom of £1.3 billion or 1.5 per cent. above the binding LAC requirement of 7.8 per cent. of leverage exposures, or 5.3 per cent. above the binding LAC requirement of 26.6 per cent. when expressed as a percentage of RWAs.

On an IFRS 9 fully loaded basis as at 30 September 2023, based on £25,087 million (FY2022: £24,056 million) of RWAs, the consolidated Group's capital position was:

- Common Equity Tier 1 ratio of 14.3 per cent. (FY2022: 14.6 per cent.);

- Total Capital Ratio of 20.8 per cent. (FY2022: 21.6 per cent.);
- Tier 1 Capital Ratio of 16.7 per cent. (FY2022: 17.4 per cent.); and
- UK Leverage Ratio of 4.9 per cent. (FY2022: 4.9 per cent.)

Liquidity

The Group maintains a liquid asset portfolio that is primarily comprised of cash held at the BoE, UK Government securities (UK gilts) and listed securities (e.g. bonds issued by supranationals and AAA rated covered bonds).

The volume and quality of the Group's liquid asset portfolio is considered through a series of internal stress tests across a range of time horizons and stress conditions. The Group's liquid assets are calibrated to the Board's view of liquidity risk appetite and remain at a prudent level above regulatory requirements.

As at 30 September 2023, the Group held unencumbered liquid assets of £14,219 million (FY2022: £13,251 million). For the financial year ended 30 September 2023, the average liquidity coverage ratio was 146 per cent. (FY2022: 140 per cent.), comfortably exceeding both regulatory requirements and the Group's more prudent internal risk appetite metrics, ensuring a substantial buffer in the event of any outflows due to the cost of living squeeze. The average net stable funding ratio was 136 per cent. (FY2022: 134 per cent.)

Funding

The Group is predominantly funded by retail and business customer deposits, augmented with funding from a number of well-established wholesale funding programmes (including RMBS securitisation programmes, a covered bond programme and a global medium-term note programme).

The Group is a participant in the BoE Sterling Monetary Framework. Following its launch in April 2020 until scheme closure in October 2021, the Issuer accessed funding from the TFSME scheme, which was established to provide cost-effective funds to banks to support additional lending to the real economy and incentivise lending to SMEs during a period of economic disruption caused by COVID-19.

During the financial year ended 30 September 2023, the Group repaid £1,000 million of TFSME drawings reducing the total principal amount outstanding to £6,200 million.

Total wholesale funding reduced to £16,658 million as at 30 September 2023 (30 September 2022: £17,012 million), as the completion of new RMBS and Covered Bond transactions was offset by redemptions and TFSME repayments.

The Group's Loan-to-Deposit Ratio reduced by 2 per cent. to 109 per cent. as at 30 September 2023 (FY2022: 111 per cent.) primarily as a result of an increase in term deposit funding.

DIRECTORS

The Directors of the Issuer, each of whose business address is Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<u>Name</u>	<u>Position</u>	<u>Principal directorships / outside activities</u>
David Bennett	Board Chair	Allfunds Group plc Paypal (Europe) S.à.r.l et Cie S.C.A. PayPal UK Ltd Non-executive board member of The Department for Work & Pensions
David Duffy	Executive Director and Chief Executive Officer	UK Finance Limited Board member of The Northern Powerhouse Partnership
Clifford Abrahams	Executive Director and Chief Financial Officer	None
Tim Wade	Senior Independent Non-Executive Director	RBC Europe Limited Chubb Underwriting Agencies Limited ClearBank Group Holdings Limited
Geeta Gopalan	Independent Non-Executive Director	Intrum AB (publ) Funding Circle Holdings Plc Dechra Pharmaceuticals PLC Trustee of The Old Vic Theatre Trust 2000
Elena Novokreshchenova	Independent Non-Executive Director	None
Darren Pope	Independent Non-Executive Director	Hargreaves Lansdown plc Network International Holdings plc HSBC Innovation Bank Limited
Sara Weller*	Non-Executive Director	BT Group plc Remuneration Committee Chair, New College, University of Oxford Chair of the Money and Pensions Service board

* Representative Director of Virgin Enterprises appointed pursuant to the Brand Licence Agreement.

None of the Directors has any potential conflicts of interests between their duties to the Issuer and their private interests or other duties.

REGULATORY DEVELOPMENTS

The financial services industry, of which the Issuer and the Group are part, has been and continues to be the focus of significant regulatory change. A brief description of key elements of changing regulation which impacts the Issuer and the Group is set out below. In particular, some of the following legislative changes have affected and will affect: (i) the capital and risk management strategy of the Issuer and the Group; and (ii) the Notes.

1. PRUDENTIAL REGULATION

1.1 *The Banking Act and the SRR*

Under the Banking Act, substantial powers are granted to the BoE (or, in certain circumstances, HMT), in consultation with the PRA, the FCA and HMT, as appropriate as part of a special resolution regime (the "**SRR**").

These powers enable the Resolution Authority (as defined in the Conditions) to implement various resolution measures and stabilisation options (including, but not limited to, the bail-in tool) with respect to a UK bank or investment firm and certain of its affiliates (currently including the Issuer) (each a "**relevant entity**") in circumstances in which the Resolution Authority is satisfied that the relevant resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the FSMA threshold conditions for authorisation to carry on certain regulated activities (within the meaning of section 55B of the FSMA).

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity, (b) transfer of all or part of the business of the relevant entity to a 'bridge bank' established by the BoE, (c) transfer to an asset management vehicle wholly or partly owned by HMT or the BoE, (d) the bail-in tool (as described below) and (e) temporary public ownership (nationalisation).

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. 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.

The Banking Act also provides for additional insolvency and administration procedures for relevant entities and for certain ancillary powers, such as the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Notes), powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the Resolution Authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The BoE's preferred approach for the resolution of the Group is a bail-in strategy with a single point of entry at the Issuer. Under such a strategy, the Issuer's subsidiaries would remain operational while the Issuer's capital instruments and eligible liabilities would be written down or converted to equity in order to recapitalise the Group and allow for the continued provision of services and operations throughout resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments under UK CRD and otherwise respecting the hierarchy of claims in an ordinary insolvency. Accordingly, the more subordinated the claim, the more likely losses will be suffered by owners of the claim.

In addition, the Banking Act grants the power to the Resolution Authority to permanently write-down, or convert into equity, tier 1 capital instruments (such as the Notes), tier 2 capital instruments and internal eligible liabilities at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool rather than the mandatory write-down and conversion power applicable only to certain instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the Resolution Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant instruments are written down or converted or the relevant entity requires extraordinary public support without which, the Resolution Authority determines that the relevant entity would no longer be viable.

1.2 *The UK CRD*

(a) *Capital Requirements*

The UK CRD contains the core prudential requirements for UK credit institutions and investment firms and sets out minimum capital requirements for these firms. The UK CRD requires, on a consolidated basis, the Issuer to hold a minimum amount of total regulatory capital of 8 per cent. of RWAs, a minimum amount of Tier 1 Capital of 6 per cent. of RWAs and a minimum amount of common equity Tier 1 Capital of 4.5 per cent. of RWAs (the "**Pillar 1 requirements**"). In addition, the UK CRD requires that several capital buffers are met with common equity Tier 1 Capital. The combination of (i) the capital conservation buffer, (ii) the time-varying countercyclical capital buffer, (iii) the global systemically important institutions buffer or other systemically important institutions buffer and (iv) the systemic risk buffer in each case, if relevant, constitute the "combined buffer".

The PRA has formally designated the Issuer as an Other Systemically Important Institution (O-SII). This is not expected to have a material impact on the Group's current capital framework. Currently the Group is not subject to either a global or domestic systemically important buffer nor to a systemic risk buffer.

The capital conservation buffer and the countercyclical capital buffer currently apply to the Group. The capital conservation buffer is set at 2.5 per cent. of RWAs and needs to be met with an additional amount of CET1 capital. The primary objective of the countercyclical capital buffer is to use a buffer of capital to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The UK countercyclical capital buffer is dependent upon the BoE's view of credit conditions in the economy and will be set between 1 per cent. and 2 per cent. in a standard risk environment. The BoE's FPC would be expected to change countercyclical capital buffer requirements if it determines that the strength of the UK economy warrants such change.

On 11 March 2020, as part of a package of measures to support the economy from the impact of COVID-19, the FPC announced a reduction in the UK countercyclical capital buffer to 0 per cent. with immediate effect. Over the past two years the FPC have gradually increased the UK countercyclical capital buffer, with the buffer increased to 2 per cent. from July 2023.

The combined buffer sits on top of the Pillar 1 requirements. If an institution breaches the combined buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make as well as limiting payments on additional tier 1 instruments.

In addition, the PRA requires the Issuer to hold extra capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements (the "**Pillar 2A requirements**"). The Pillar 2A requirements sit on top of the Pillar 1 requirements so increase the combined buffer requirements and automatic safeguards. The PRA sets this additional capital requirement at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56 per cent. CET1 capital and no more than 25 per cent. tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement. The PRA's framework also enables a PRA capital buffer which is not prescribed under the UK CRD. The PRA capital buffer (also known as Pillar 2B requirements) is set by the PRA on a bank-by-bank basis using supervisory judgement informed by the impact of stress scenarios on a bank's capital requirements and resources

and taking account where appropriate of other factors including leverage, systemic importance and weaknesses in the bank's risk management and governance.

The Group has taken part in the BoE's Annual Cyclical Scenario exercise since 2021. The 2022 scenario tested the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, real income shocks, large falls in asset prices and higher global interest rates, as well as a separate stress of conduct costs. The PRA use the stress test results to assess the buffer requirements of participants but the results, published in July 2023, noted that no individual bank was required to strengthen capital requirements as a result of the test. The results of the Group on both a transitional and non-transitional basis were in excess of the published reference rates and there was no requirement to take any additional capital actions or submit a revised capital plan.

(b) *Minimum requirement for own funds and eligible liabilities*

The Issuer is subject to the BoE's framework for setting a minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL has been subject to a phased implementation, with end-state MREL requirements applying to the Issuer from 1 January 2022. This requires the Issuer to hold capital resources and eligible debt instruments equal to the greater of two times the sum of its Pillar 1 and Pillar 2A capital requirements or two times its applicable leverage ratio requirement. In addition to MREL, the Issuer must also hold any applicable capital buffers which together with MREL, represent its loss absorbing capacity (LAC) requirement.

1.3 ***Basel 3.1***

The Basel Committee published its final reforms to the Basel 3.1 framework ("**Basel 3.1**") in December 2017. The amendments include changes to the standardised approaches to credit and operational risks and the introduction of a new RWA output floor. There are several areas within Basel 3.1 subject to national discretion and choice. The PRA released a Consultation Paper on UK implementation in November 2022 with the final reforms due to be effective from 1 July 2025, subject to a 4.5 year transitional period for the output floor and certain other requirements.

Uncertainties therefore remain for a number of topics that will be subject to revisions under Basel 3.1. In response, the Group has commenced detailed work on each of the distinct chapters of the PRA consultation paper to fully assess the impacts of the proposals detailed in the consultation to assist with planning.

1.4 ***Banking Reform Act and Structural Reform***

The Group is subject to the ring-fencing requirements brought in by the Financial Services (Banking Reform) Act 2013 and related PRA and FCA rules. The ring-fencing requirements separate retail and business deposits held by UK banks from wholesale and investment banking activities. The Group is subject to these requirements although this does not materially increase compliance costs due to the Group's focus on retail and business customers.

1.5 ***FSCS and depositor guarantee scheme***

The FSCS pays compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. As well as compensating customers when regulated firms fail, the FSCS's aim is to promote confidence in the financial system by limiting the system risk that the failure of a single firm might trigger resulting in a wider loss of confidence in the relevant financial sector. The Group is responsible for contributing to the FSCS through a levy. The aim of this levy is to support compensation payments made by the FSCS and to cover management expenses.

The Deposit Guarantee Schemes Regulations 2015, as amended by the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018/1285 (the "**DGS Regulation**") ensures that all deposits up to £85,000 are protected through the FSCS deposit guarantee scheme. The rules are intended to enable depositors protected by the FSCS to have continuity of access to their accounts during resolution, as well as changes to the existing Single Customer View ("**SCV**") rules. All deposit taking firms subject to the regime are required to

produce SCV files in a shortened time period for verification purposes and in the event of default. Firms are also required to update their SCV systems and mark eligible deposits in a way that allows immediate identification of them.

1.6 ***Resolvability Assessment Framework***

The Banking Act and associated FCA and PRA rules contain requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the bail-in tool as described above). The BoE made a commitment to the UK Parliament that major UK banks would be fully resolvable by 2022. To satisfy this commitment, the BoE and the PRA introduced a new Resolvability Assessment Framework, with full implementation of the framework required by 2022 and ongoing assurance and testing thereafter.

The Resolvability Assessment Framework is implemented through:

- a Statement of Policy from the BoE, which sets out the BoE's approach to assessing resolvability for UK firms with a bail-in or partial transfer resolution strategy (including the Group) and for material subsidiaries of overseas firms. The BoE assesses firms against three resolvability outcomes: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and coordinate within the firm and with authorities; and
- PRA rules included within the new Resolution Assessment part of the PRA Rulebook, requiring major UK banks (those with £50 billion or more in retail deposits on an individual or consolidated basis, including the Group) to assess their preparations for resolution, submit reports of their assessment to the PRA and publicly disclose a summary of their report. Firms were required to submit their first reports to the PRA by October 2021 (and every two years following) and were required to publicly disclose their summaries by the end of June 2022 (and every two years following). The BoE's assessment of the Group's preparations was also disclosed in June 2022 (and will be disclosed every two years following).

The Resolvability Assessment Framework is intended to increase public awareness of resolution, help market participants to make better informed investment decisions and incentivise firms to meet the resolvability objectives.

1.7 ***Leverage***

The UK leverage ratio framework is intended to mirror aspects of the risk-weighted capital requirement. The UK leverage ratio was originally set at 3 per cent. of exposures and in 2017 was increased to 3.25 per cent. of exposures (excluding central bank reserve exposures), to reflect the removal of central bank deposits from the leverage exposure measure. On 1 January 2022, FPC and PRA Policy Statement 21/21 came into force which simplified the leverage ratio framework and meant that the Group is subject to the UK leverage ratio only. At least three-quarters of the leverage ratio requirement must be met with CET1 capital with the remainder being met with AT1 capital.

In addition, the framework requires that several leverage buffers are met with common equity Tier 1 Capital: (i) the countercyclical leverage ratio buffer ("**CCLB**"); and (ii) the additional leverage ratio buffer ("**ALRB**") to reflect systemic importance. The CCLB and ALRB are intended to make the leverage ratio framework equally resilient relative to the risk-weighted framework (i) over the cycle and (ii) for systemic and non-systemic firms. As a result, they are scaled at 35 per cent. of their risk-weighted equivalents with the CCLB rate percentage rounded to the nearest 10 basis points.

At present the Group is subject to a CCLB of 0.7 per cent. but is not subject to an ALRB.

1.8 ***Interest rate risk in the banking book and market risk***

In addition to the Basel Committee's approach to interest rate risk in the banking book, the Group is monitoring its approach to traded market risk in view of the risk that, although the Group's operations are all related to banking book activity, the Basel Committee may require different treatments to be applied to certain products.

The PRA's policy statement (PS 22/21) implements the Basel standards for prudent valuation for market risk and amendments to market risk management requirements. This policy statement also requires firms to make qualitative and quantitative disclosures in relation to their risk exposure to interest rate risk in the banking book and their management of this risk, in line with the Basel standards.

2. **OTHER KEY FINANCIAL SERVICES REGULATION AND REFORM INITIATIVES**

2.1 *Regulation of Data Protection*

The European Commission's General Data Protection Regulation ("**EU GDPR**") came into force on 25 May 2018 and provided a single set of rules on data protection, directly applicable in all EU Member States. The main provisions included a requirement to notify regulators of breaches within 72 hours of identification, increased sanctions including potential fines of up to four per cent. of an enterprise's annual worldwide turnover by the ICO and reduced timelines within which firms must respond to subject access requests (within 30 calendar days). In some circumstances, consumers are also able to request deletion of all personal data held by the data controller and third-party recipients. The Group delivered these requirements by the regulatory deadline.

From the end of the UK-EU Brexit transition period, EU GDPR formed part of domestic law of the UK by virtue of the EUWA and as amended by relevant UK statutory instruments. The Group recognises the importance of the correct and lawful treatment of personal data and appointed a Data Protection Officer (DPO) to inform, advise and oversee the Group's ongoing compliance with its privacy and data protection obligations. The Group continues to monitor regulatory developments in the UK and the EU (to the extent relevant) and, in particular, the progress of the proposed Data Protection and Digital Information Bill through the UK Parliament.

2.2 *Regulation of the Derivatives market*

The European Market Infrastructure Regulation (EU) No 648/2012 ("**EU EMIR**") as it forms part of domestic law of the UK by virtue of the EUWA provides a regulatory framework for reporting of information about derivative transactions to trade repositories, mandatory clearing of standardised over-the-counter ("**OTC**") derivatives, margin posting and other risk mitigation obligations in respect of OTC derivatives, authorisation and supervision of central counterparties used for mandatory clearing, and registration and supervision of trade repositories used for reporting. The Group is subject to reporting, clearing and margining obligations which are in force and implemented.

These regulations have been reviewed as part of the European Commission's Regulatory Fitness and Performance Programme (REFIT) and the amendments to EU EMIR came into force on 17 June 2019 with some changes implemented immediately while others (including changes to reporting obligations) implemented in Q3 2020.

As a result of the UK leaving the EU and EMIR forming part of domestic UK law, the Group has become subject to separate reporting, clearing and margining obligations under UK EMIR which may diverge from the equivalent requirements under EU EMIR over time. Changes to the derivatives reporting framework under UK EMIR were published by the FCA and BoE in February 2023 and become applicable from 30 September 2024.

2.3 *Regulation of Benchmarks*

Interest rates and indices which are deemed to be "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted.

The Benchmark Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds ("**EU BMR**") became fully applicable from 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU.

On the UK leaving the EU the EU BMR became part of domestic law of the UK by virtue of the EUWA.

2.4 *Market Competition and Consumer Protection*

(a) *Consumer Duty*

In 2022 the FCA published final rules on the introduction of a new consumer duty on regulated firms ("**Consumer Duty**"), which aims to set a higher level of consumer protection in retail financial markets and to improve competition between firms in the interests of consumers. The FCA published its final rules on the Consumer Duty in July 2022, which provided that the Consumer Duty applied from 31 July 2023 for products and services that remain open to sale or renewal and will apply from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

The Consumer Duty introduced a new consumer principle that requires firms to act to deliver good outcomes for retail consumers. The FCA's expectations under this new principle are explained through its three cross-cutting rules: (i) to act in good faith; (ii) to avoid causing foreseeable harm; and (iii) to enable and support retail consumers to pursue their financial objectives. The Consumer Duty also sets rules that aim to drive good outcomes for consumers, related to the following four criteria (i) the quality of firms' products and services (ii) the price and value; (iii) consumer understanding; and (iv) consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so, for example, in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies, *inter alia*, in respect of regulated mortgage contracts (as well as loans falling within the consumer credit regime) as the application of the Consumer Duty follows the position in the Mortgages and Home Finance Conduct of Business sourcebook (MCOB). The Consumer Duty applies to product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty does not apply retrospectively, the FCA requires firms to apply the Consumer Duty to existing products on a forward-looking basis. The Group has implemented the 2023 requirements and is working towards the 2024 implementation date for closed book products and services.

(b) *Guidance on fair treatment of vulnerable consumers*

In 2019, the FCA launched a consultation on guidance for firms on the fair treatment of vulnerable consumers. This aimed to provide regulatory clarity for firms involved in the supply of products or services to retail consumers who are actually, or are potentially, vulnerable. The FCA published final guidance in February 2021. In July 2021, the FCA published further guidance to provide clarity on what firms should do to understand the needs of consumers in vulnerable situations and changes that should be implemented. The FCA expects firms to be able to demonstrate how their culture, policies and processes ensure the fair treatment of all consumers, including those who are vulnerable. The Group is monitoring vulnerabilities within their target market and customer base and is taking appropriate action in light of the FCA guidance.

(c) *Review of the unsecured lending market (the Woolard Review)*

The FCA initiated a review into change and innovation in the unsecured credit market with the intention to provide recommendations on how regulation can better support this market. The review took into account the impact of COVID-19 on employment security and credit scores, changes in business models and new developments in unsecured lending, including the growth of unregulated products in retail and the workplace. The review was published by the FCA in February 2021. On 15 July 2021, the FCA published its Business Plan which set out its key priorities for 2021/2022. This included bringing the buy now pay later ("**BNPL**") sector into regulation which this review recommended. In February 2023, the UK Government published draft legislation that will bring the BNPL sector into FCA regulation, and the FCA conducted a consultation process on the same which concluded in April 2023.

The FCA continues to focus on the support firms provide for customers in difficulty. The Consumer Duty also plays a key role in this work, including for vulnerable consumers (see further "*Consumer Duty*" above).

(d) *CMA 'loyalty penalty' super-complaint*

Citizens Advice submitted a super-complaint to the CMA in September 2018 calling on the regulator to investigate the overcharging of 'loyal' customers in 5 essential markets (mobile, broadband, home insurance, mortgages and savings) and to identify remedies to fix this problem. Citizens Advice believes that the practice of overcharging loyal customers is widespread and it has repeatedly warned that loyal consumers are being disadvantaged. The CMA published an initial response to the super-complaint in December 2018, which included recommendations to the FCA. The FCA conducted a consultation on the impact of price discrimination in the cash savings market, but decided not to proceed with the proposals at present.

In mortgages, the FCA published the outcome of its Mortgage Market Study in March 2019 and as a result of its findings, announced changes to its responsible lending rules and guidance, aimed at removing barriers to consumers switching to a more affordable mortgage. The FCA also introduced measures in October 2020 to help some mortgage customers to have more options to switch, in particular to make it easier for customers of a closed book firm ('mortgage prisoners') to switch to an active lender.

The FCA also published interim findings on the insurance markets in October 2019, discussing a range of potential remedies to address the problematic pricing practices identified in the report. Following a further market study into general insurance pricing practices, the FCA published a consultation paper (CP 20/19) in September 2020. The consultation proposed a package of robust remedies including requiring firms to offer a renewal price that is no higher than the equivalent new business price for that customer through the same sales channel. The remedy was accompanied by enhanced product governance rules and will work alongside additional measures focussed on increasing transparency and competition in general insurance, as well as addressing barriers to switching. The FCA published a Policy Statement in May 2021 setting out the new rules which came into effect on 1 October 2021. The FCA will continue to monitor the market to ensure firms are ready to implement the pricing changes on time and the FCA also reviewed the effects of the remedies over the course of 2022, ahead of a full evaluation in early 2024.

The CMA published an update on progress in the five markets in December 2020 in which it expressed commitment to continuing to work with the UK Government and the FCA regarding the approach to pricing for existing customers. The CMA has also encouraged regulators to take enforcement action where they see consumer harm.

(e) *Consumer Credit Regime*

The Group is subject to the consumer credit regime under the FSMA, which regulates a wide range of credit agreements. The regulation of consumer credit pursuant to the Consumer Credit Act 1974 and its related secondary legislation (the "**CCA**") is carried out by the FCA. Certain secondary legislation made pursuant to the CCA, as well as OFT

guidance, has been replaced by FCA rules and guidance set out within the FCA Handbook, although some secondary legislation remains. The FCA has significant powers of enforcement and is taking a proactive and intrusive approach to the regulation of consumer credit. In addition, the courts have wide powers to look again at a credit agreement, when the borrower alleges an aspect of it was "unfair", and render such arrangement unenforceable.

In August 2020, the FCA published a report focused on re-lending by high-cost lenders, identifying high volumes of re-lending to high-cost credit customers as one of the key ways in which these customers may be harmed by their lenders. The Group has reviewed its re-lending operations in the light of the FCA report and made any necessary changes to improve customer outcomes. The FCA will continue to carry out further diagnostic work to understand whether there are business models in the retail lending sectors that rely on consumers who cannot afford to repay.

In May 2023, the FCA consulted on changes to consumer credit rules to improve outcomes for those in financial difficulty, building on previous guidance introduced during the pandemic. The consultation was open until July 2023. The FCA expects the rules to come into force in H1 2024, upon which the previous guidance will be withdrawn.

In July 2023, HMT published a response to its initial consultation on reforming the CCA. The UK Government has committed to moving forward with an ambitious overhaul of the CCA and plans to develop proposals that move the majority of the CCA into the FSMA model. In the next stages of the policy development, the UK Government has committed to ensuring that its approach to reform is informed by data and a strong empirical evidence base. The consultation is only the first stage in the reform process, and the UK Government is planning to undertake further stakeholder engagement to produce more detailed proposals, with a view to publishing a second stage consultation in 2024. This will include discussions on possible implementation timelines.

2.5 *Payment services*

The Payment Systems Regulator ("**PSR**") requested the industry to sign up to a voluntary Authorised Push Payment ("**APP**") Contingent Reimbursement Model (the "**CRM**") code which offers greater protections to victims who met a specified level of care. The CRM brings about a change in liability for customer reimbursement with the default position being that a victim of APP scam should be reimbursed unless they did not meet the required level of care – currently most APP victims are not reimbursed. PSPs will be liable for the cost of the customer reimbursement as either a sending or receiving PSP. Moreover, a number of additional provisions are made in the code including, but not limited to, changes to the payment journey; changes to the claims handling process; and implementation of evidentiary standards with regards to actions taken to prevent and detect fraud. The Group is a signatory to the CRM Code following approval from the Lending Standards Board.

Banks and other payment service providers in the UK are required to implement strong customer authentication. Confirmation of Payee ("**CoP**") provides end users of a payment system (customers) greater assurance that payments are being sent to the intended recipient. Where traditionally sort codes and account numbers have been used as the unique account identifiers, CoP introduces name checking that can help to prevent payments from being misdirected. It is also intended to act as an effective warning system for customers if the beneficiary does not match and place a barrier in the way of fraudsters who may be attempting APP scams. The Group has implemented CoP in 2023 and there has now been widespread adoption by UK banks.

The Financial Ombudsman Service ("**FOS**") confirmed to all banks and financial institutions that they are viewing negligence and payment authorisation, authentication and consent differently when assessing fraud scam complaints. Consequently, it is highly likely that FOS will overturn historic no refund decisions for victims of 'sophisticated' account takeover scams, where unauthorised, fraudulent payments are made following the customer providing security credentials to fraudsters. FOS may also allow for retrospective claims to be made.

DESCRIPTION OF THE ORDINARY SHARES

Set out below is a description of the principal rights attaching, as at the date of these Listing Particulars, to the ordinary shares that will be issued in the event that the Notes are converted in accordance with their terms.

Share Capital

The issued and fully paid share capital of the Issuer as at the date hereof is:

Class	Issued and fully paid		
	Nominal Value	Number	Amount
Ordinary	£0.10 each	1,329,655,432	£132,965,543.20

Articles of Association

The Issuer's articles of association (the "**Articles of Association**") were adopted by special resolution of the Issuer on 20 November 2015. A summary of the material provisions of the Articles of Association in respect of the Ordinary Shares is set out below.

Voting Rights

Subject to any special terms as to voting for the time being attached to any class of shares (as to which there are none at present) and subject to disenfranchisement in the event of non payment of any call or other amount due and payable in respect of any share or non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares, on a show of hands every member present in person or by proxy has one vote and on a poll every member present in person or by proxy has one vote for every share of which he is a holder.

Governing Law

The Articles of Association and the laws of England and Wales govern the relationship between the Issuer and its members.

Dividends

Subject to the Companies Act 2006 and the Articles of Association, the Issuer may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends. A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors and no dividend may be declared or paid unless it is in accordance with members' respective rights.

Unless the members' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each members' holdings of shares on the date of the resolution or decision to declare or pay it.

Subject to the provisions of the Companies Act 2006 and rights attached to shares, the Issuer or the directors may fix any date as the record date for a dividend. The record date may be on or at any time before or after a date on which the dividend is declared or paid.

Except as otherwise provided by the Articles of Association or the rights attached to, or the terms of issue of, any shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Except as otherwise provided by the rights attached to the shares, the Board may determine (i) the currency in which dividends shall be declared; (ii) the currency or currencies in which any dividends declared shall be paid; and (iii) how and when any currency exchange calculations shall be carried out and how any associated costs shall be met.

All dividends or other sums which are payable in respect of shares and unclaimed after having been declared or becoming payable may be invested or otherwise made use of by the directors for the benefit of the Issuer until claimed. If 12 years have passed from the date on which a dividend or other sum became due for

payment and the distribution recipient has not claimed it, the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Issuer.

The directors may pay any dividend (including any dividend payable at a fixed rate) if it appears to them that the profits available for distribution justify the payment. If the Issuer's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non preferred rights if, at the time of payment, any preferential dividend is in arrears.

Subject to the Articles of Association, the Issuer may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or distribution payable in respect of a share by transferring non cash assets of equivalent value (including shares or other securities in any company).

Subject to the Companies Act 2006 and the Articles of Association, the Issuer may by ordinary resolution offer to shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

Return of Capital

A liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Issuer and may, for that purpose, value any assets and determine how the division is carried out as between the members or different classes of members.

Method of Payment

The Issuer may pay any dividend, interest or other amount payable in respect of a share in the Issuer as the Board may decide in its absolute discretion. If the Board decides that a payment will be made by bank or other funds transfer system to an account nominated by a person entitled to the payment, but no such account is nominated by the relevant person or the transfer into a nominated account is rejected or refunded, the Issuer may credit the amount payable to an account of the Issuer to be held until the person entitled to the payment nominates a valid account. An amount so credited will be treated as having been paid to the person entitled to the payment at the time it is credited. The Issuer will not be a trustee of the money and no interest will accrue on the money.

Transfer of Shares

- (a) Subject to the Articles of Association, shares of the Issuer are free from any restriction on transfer. In exceptional circumstances approved by the FCA, the directors may refuse to register a transfer of certificated shares **provided that** such refusal would not disturb the market in those shares.
- (b) Certificated shares may be transferred by means of an instrument of transfer in writing in any usual form or any other form approved by the directors, which is executed by or on behalf of:
 - (i) the transferor; and
 - (ii) (if any of the shares is partly paid) the transferee.
- (c) Subject to the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (including any modification, re-enactments or substitute regulations for the time being in force) (the "Regulations"), the transferor remains the holder of a share until the transferee's name is entered in the register of members as the holder of it.
- (d) The directors may also, in their absolute discretion, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment of a share unless all of the following conditions are satisfied:
 - (i) it is in respect of only one class of shares;
 - (ii) it is in favour of (as the case may be) a single transferee or renouncee or not more than four joint transferees or renouncee;
 - (iii) it is duly stamped (if required); and

- (iv) it is delivered for registration to the registered office of the Issuer or such other place as the directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a person to whom the Issuer is not required by Sections 769, 776, 777 or 778 of the Companies Act 2006 to issue a certificate, or in the case of a renunciation) and such other evidence as the directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.
- (e) If the directors refuse to register the transfer of a certificated share or renunciation of a renounceable letter of allotment, the instrument of transfer or renunciation must be returned to the transferee or renounee as soon as practicable and in any event within two months of the date on which the transfer or renunciation was lodged with the Issuer with the notice of refusal and reasons for refusal unless they suspect that the proposed transfer or renunciation may be fraudulent.
- (f) In accordance with and subject to the provisions of the Regulations, the operator of the relevant system ("Operator") shall register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form unless the Regulations permit the Operator of the relevant system to refuse to register such transfer in certain circumstances in which case the said Operator may refuse such registration.
- (g) In accordance with the Regulations, if the Operator refuses to register the transfer of an uncertificated share or of any such uncertificated renounceable right of allotment of a share it must, as soon as practicable and in any event within two months after the date on which the relevant system member instruction or issuer instruction (as the case may be) was received by the Operator, send notice of the refusal to the relevant system member or participating issuer (as the case may be).
- (h) In accordance with and subject to the provisions of the Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, the Issuer as participating issuer must register the transfer in accordance with the relevant Operator instruction, but so that the Issuer may refuse to register such a transfer in any circumstance permitted by the Regulations.
- (i) In accordance with the Regulations, if the Issuer as participating issuer refuses to register the transfer of title to an uncertificated share transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, it must, as soon as practicable and in any event within two months after the date on which the Operator instruction was received by the Issuer, send notice of the refusal to the transferee.
- (j) The Issuer (at its option) may or may not charge a fee for registering the transfer of a share or the renunciation of a renounceable letter of allotment or other document or instructions relating to or affecting the title to a share or the right to transfer it or for making any other entry in the register.

Variation of Rights

Subject to the Companies Act 2006, the rights attached to a class of shares may be varied or abrogated (whether or not the Issuer is being wound up) either (i) with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or (ii) with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles of Association.

The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Issuer of its own shares in accordance with the Companies Act 2006.

Redeemable Shares in the Issuer

Subject to the Companies Act 2006, the Issuer may issue shares which are to be redeemed or are liable to be redeemed at the option of the Issuer or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

Winding Up

On a voluntary winding up of the Issuer, the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Issuer, whether or not the assets consist of property of one kind or of different kinds and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property and determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

Admission to Trading of the Ordinary Shares

The Ordinary Shares have a listing in the United Kingdom.

In the United Kingdom, the Ordinary Shares currently in issue are listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange dates back to 1801 and the London Stock Exchange's regulated market is regulated by the FCA.

For October 2023, the average daily trading volume of all order book trading on the London Stock Exchange was approximately 562,003 shares. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List. The ISIN of the Ordinary Shares is GB00BD6GN030. Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

TAXATION

UNITED KINGDOM TAXATION CONSIDERATIONS

The following is a summary of United Kingdom taxation law at the date hereof in relation to certain aspects of the Notes. Save where expressly stated to the contrary, it is based on current law and the published practice of HMRC, which may be subject to change, sometimes with retrospective effect, and may not be binding on HMRC. The comments do not deal with all United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and who hold the Notes as investments. Certain classes of persons such as dealers, certain professional investors or persons connected with the Issuer may be subject to special rules not covered by this summary. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that might be relevant to a prospective purchaser. Holders who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax

1. The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of Section 1005 of the Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of Sections 987 and 1005 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The Issuer's understanding is that the ISM is currently a multilateral trading facility operated by a regulated recognised stock exchange (the London Stock Exchange) for these purposes and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be admitted to trading on that market and it is and remains a multilateral trading facility operated by a regulated recognised stock exchange within the meaning of Sections 987 and 1005 of the Act.

2. If the exemption above does not apply, interest on the Notes that has a United Kingdom source may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available.

Other considerations

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

UK stamp duty and stamp duty reserve tax

1. The Finance Act 2019 introduced a new regime for hybrid capital instruments (within the meaning of Section 475C of the Corporation Tax Act 2009) (the "HCI rules"). The HCI rules contain an

exemption from all stamp duties so that no liability to United Kingdom stamp duty or stamp duty reserve tax ("**SDRT**") should arise on the issue or transfer of the Notes **provided that** the Notes each constitute a "hybrid capital instrument" for the purposes of the HCI rules and there are no arrangements, the main purpose, or one of the main purposes, of which is to secure a tax advantage for the Issuer or any other person.

The Notes should constitute "hybrid capital instruments" for the purposes of the HCI rules **provided that**:

- the Issuer is entitled to defer or cancel a payment of interest under the Notes;
- the Notes "have no other significant equity features"; and
- the Issuer has made an election in respect of the Notes which has effect for the relevant period.

The Notes would "have no other significant equity features" **provided that**:

- the Notes carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
 - any provision in the Notes for altering the amount of the principal is limited to write-down or conversion events in certain qualifying cases and that is not a right exercisable by the Holders; one of the qualifying cases is where a provision is included solely because of a need to comply with a regulatory or other legal requirement; and
 - any provision for the Holder to receive anything other than interest or principal is limited to conversion events in qualifying cases.
2. The Issuer will make a valid election in respect of the Notes upon issuance, in accordance with the provisions of Section 475C of the Corporation Tax Act 2009, which takes effect from issuance and the Notes are not being issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage for the Issuer or any other person. Consequently, the Issuer believes that the HCI rules should apply to the Notes such that they would benefit from an exemption from all stamp duties so that no liability to United Kingdom stamp duty or SDRT should arise on the issue or transfer of the Notes.
 3. No United Kingdom stamp duty or SDRT will be payable by a Holder on a cash redemption of the Notes in accordance with the Conditions.
 4. No liability to United Kingdom stamp duty or SDRT will arise for a Holder on the redemption of the Notes, and the issue of any Conversion Shares, under an Automatic Conversion of the Notes into Conversion Shares in accordance with the Conditions.
 5. United Kingdom stamp duty and SDRT may be payable in relation to a Conversion Shares Offer.
 6. The above description of the United Kingdom stamp duty and SDRT position does not deal with the issue, transfer or agreement to transfer of any Approved Entity Shares.

OTHER TAXATION

The U.S. Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" 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.

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 the Notes, including whether withholding would ever be required pursuant

to FATCA or an IGA with respect to payments on instruments such as the 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 the Notes, such withholding would not apply prior to the date that is two years after the date of publication of the final regulations defining "**foreign passthru payments**". Notes issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, if additional notes (as described under Condition 18 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

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

SUBSCRIPTION AND SALE

Each of the Joint Lead Managers has, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 6 December 2023, agreed to subscribe or procure subscribers for the Notes at the issue price of 100 per cent. of their principal amount less a combined commission, subject to the provisions of the Subscription Agreement. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

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

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. 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.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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 of the United Kingdom 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other UK regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

- (i) 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (the "**Australian Corporations Act**")) in relation to the Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Joint Lead Manager has represented and agreed that it:

- (a) has not made or invited, and will not make or invite, directly or indirectly, an offer of any Notes for issue, sale or purchase in, to or from 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, these Listing Particulars or any other offering material or advertisement relating to the Notes in Australia.

unless:

- (a) the aggregate consideration payable by each offeree or invitee is a minimum of A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding monies 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 and complies with the terms of any authority granted under the Banking Act 1959 (Cth) of Australia;
- (b) the offer or invitation is not made to a "**retail client**" as defined in section 761G of the Australian Corporations Act;
- (c) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation, the licensing requirements of Chapter 7 of the Australian Corporations Act); and
- (d) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

These Listing Particulars are not, under any circumstances to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, each Joint Lead Manager has agreed 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 of 2018 which requires all offers and transfers to be in parcels of not less than A\$500,000 (or its equivalent in another currency) in aggregate principal amount. Banking exemption No. 1 of 2018 does not apply to offers and transfers which occur outside Australia.

By applying for any Notes under these Listing Particulars, each person to whom Notes are issued (an "**Investor**"):

- (a) will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells the Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Australian Corporations Act) with ASIC unless either:

- (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Australian Corporations Act to whom it is lawful to offer the Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.

Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these Listing Particulars or the merits of the Notes and any representation to the contrary is an offence.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and, without limiting the generality of the foregoing:

- (a) any offer, sale or distribution of the Notes in Canada has and will be made only to purchasers that are in, resident in, or subject to the securities laws of, the Province of Ontario, Alberta or British Columbia that are (i) "accredited investors" (as such term is defined in Section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") or, in Ontario, as such term is defined in Section 73.3(1) of the *Securities Act* (Ontario)) and "permitted clients" (as such term is defined in Section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*), (ii) purchasing as principal, or are deemed to be purchasing as principal in accordance with applicable Canadian securities laws, (iii) not a person created or used solely to purchase or hold the Notes as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in Section 1.1 of NI 45-106;
- (b) it is either (i) appropriately registered under applicable Canadian securities laws in each relevant province or territory to sell and deliver the Notes, (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein, or (iii) it is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; and
- (c) it has not and will not distribute or deliver these Listing Particulars, or any other offering material in connection with any offering of the Notes, in or to a resident of Canada other than in compliance with applicable Canadian securities laws.

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 Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Hong Kong

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Notes, other than (a) to "professional investors" as defined in the Securities

and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (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.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Joint Lead Manager has represented and agreed that Notes shall not be offered, sold or delivered in the Republic of Italy.

Singapore

Each Joint Lead Manager has acknowledged that these Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed 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, these Listing Particulars 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 Securities and Futures Act 2001 of Singapore, as modified and amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Switzerland

In Switzerland, these Listing Particulars are not intended to constitute an offer or solicitation to purchase or invest in Notes. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither these Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to the FinSA, and neither these Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

No action has been taken by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Each Joint Lead Manager has agreed that it will, to the best of its knowledge and belief, comply with any applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes these Listing Particulars and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of such 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 none of the Issuer or the Joint Lead Managers shall have any responsibility therefor.

The Notes are not intended to be sold and should not be sold to retail clients in the EEA or in the UK. Prospective investors are referred to the section headed "*Prohibition on marketing and sales to retail investors*" in these Listing Particulars for further information.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been duly authorised by a resolution of the Board dated 26 October 2023 and a resolution of an executive director of the Issuer dated 22 November 2023.

Listing and Trading

2. Application has been made to the LSE for the Notes to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of the UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The LSE has not approved or verified the contents of these Listing Particulars. It is expected that the admission of the Notes to trading on the ISM will be granted on or around the Issue Date.

Legal and Arbitration Proceedings

3. Save as disclosed in relation to historic sales of certain products as set out in the sections entitled "*Risk Factors — Risks relating to the Group — Conduct Risk — The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*", "*Risk Factors — Risks relating to the Group — Conduct Risk — The Group is subject to substantial conduct regulations and regulatory oversight in respect of conduct issues*" and "*Risk Factors — Risks relating to the Group — Regulatory and Legal Risk — The Group is subject to risks associated with compliance with a wide range of laws and regulations*" of these Listing Particulars, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the financial position or profitability of the Group.

Significant Change

4. Since 30 September 2023, there has been no significant change in the financial position or financial performance of the Issuer or the Group.

Material Change

5. Since 30 September 2023, there has been no material adverse change in the prospects of the Issuer or the Group.

Auditors

6. The annual consolidated accounts of the Issuer for the years ended 30 September 2023 and 30 September 2022 have been audited without qualification by Ernst & Young LLP of 1 More London Place, London SE1 2AF, United Kingdom. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

Documents on Display

7. Copies of the following documents will be available in electronic form at <https://www.virginmoneyukplc.com/investor-relations/>:
 - (a) the 2023 Audited Financial Statements and 2022 Audited Financial Statements;
 - (b) the 2023 Pillar 3 Disclosures;
 - (c) the 2022 Pillar 3 Disclosures;
 - (d) the 2023 Risk Report, 2023 Financial Performance Measures, 2022 Risk Report and 2022 Financial Performance Measures; and
 - (e) these Listing Particulars.

A copy of the Trust Deed and the Articles of Association of the Issuer may be inspected during normal business hours at the offices of the Issuer at Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL, United Kingdom for the 12 months from the date of these Listing Particulars.

Third Party Information

8. Where information in these Listing Particulars has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where it is used.

LEI

9. The Legal Entity Identifier ("**LEI**") of the Issuer is 213800ZK9VGCYYR6O495.

Clearing

10. The Notes have been accepted for clearance through the Clearing Systems. The ISIN is XS2718145779 and the common code is 271814577. The CFI is DBFXPR and the FISN is VIRGIN MONEY UK/0 BD PERP REGS, each as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
11. 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, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Joint Lead Managers Transacting with the Issuer

12. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Joint Lead Managers and/or their affiliates may receive allocations of Notes (subject to customary closing conditions), which could affect future trading of the Notes. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**REGISTERED
OFFICE OF THE ISSUER**

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