



## VIRGIN MONEY UK PLC

*(incorporated with limited liability in England and Wales)*

## CLYDESDALE BANK PLC

*(incorporated with limited liability in Scotland)*

£10,000,000,000

### Global Medium Term Note Programme

Any notes ("**Notes**") issued pursuant to this base prospectus (the "**Base Prospectus**") under the Global Medium Term Note Programme (the "**Programme**") on or after the date of this Base Prospectus are issued subject to the provisions described herein. Under the Programme, Virgin Money UK PLC (formerly CYBG PLC) (the "**Company**") and Clydesdale Bank PLC (the "**Bank**" and, together with the Company, the "**Issuers**" and each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes. The aggregate principal amount of Notes outstanding under the Programme will not at any time exceed £10,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein. References in this Base Prospectus to "**Exempt Notes**" are to Notes issued under the Programme for which no prospectus is required to be published in accordance with the UK Prospectus Regulation (as defined below). The FCA (as defined below) has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation**") for the purpose of giving information with regard to the issue of notes issued under the Programme (other than Exempt Notes) described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. The FCA has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Notes. This Base Prospectus is valid for a period of twelve months from the date of its approval. Applications have been made for such Notes (other than Exempt Notes) to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA (the "**Official List**") and to trading on the Main Market (the "**Main Market**") of the London Stock Exchange plc (the "**London Stock Exchange**").

The Main Market is a regulated market situated or operating within the United Kingdom for the purposes of the UK Prospectus Regulation. References in this Base Prospectus to Notes (other than Exempt Notes) being "listed" (and all related references) shall, unless the context otherwise requires, mean that such Notes have been admitted to the Official List and admitted to trading on the Main Market.

Additionally, application has been made for Notes to be admitted to trading on the International Securities Market of the London Stock Exchange (the "**ISM**"). The relevant Final Terms or Pricing Supplement, as applicable (each as defined below) will state on which market(s) the relevant Notes will be admitted to trading, if any.

**The ISM is not a regulated market situated or operating within the United Kingdom for the purposes of the UK Prospectus Regulation. The ISM is a market designated for professional investors. Exempt Notes which are designated in the relevant Pricing Supplement as being admitted to trading on the ISM are not admitted to listing on the Official List. Exempt Notes do not form part of this Base Prospectus and in relation to Exempt Notes neither the FCA nor the London Stock Exchange has approved, reviewed or verified the contents of this Base Prospectus.**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exemptions, the Notes are not being offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**")). The Notes are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S and (in the case of Notes represented by Restricted Global Certificates) within the United States to "qualified institutional buyers" (each, a "**QIB**") as defined in and pursuant to Rule 144A under the Securities Act ("**Rule 144A**"). See "*Subscription and Sale*" and "*Transfer Restrictions*" below.

The Notes are not deposit liabilities of the Issuers and are not covered by the United Kingdom Financial Services Compensation Scheme ("**FSCS**") or insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United States, the United Kingdom or any other jurisdiction.

**Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuers to fulfil their respective obligations under the Notes are discussed under "*Risk Factors*" below.**

**Arranger**

Citigroup

**Dealers**

Barclays  
BofA Securities  
Credit Suisse  
Goldman Sachs International  
Morgan Stanley

BNP PARIBAS  
Citigroup  
Deutsche Bank  
Lloyds Bank Corporate Markets  
NatWest Markets

## IMPORTANT NOTICES

### Responsibility for this Base Prospectus

Each of the Issuers accepts responsibility for the information contained in this Base Prospectus and the relevant Final Terms or the relevant Pricing Supplement (as defined below) for each tranche of Notes issued under the Programme and declares that, to the best of its knowledge, the information contained in this Base Prospectus and any Final Terms or any Pricing Supplement is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

None of the Dealers or any of their respective affiliates shall be responsible for any act or omission of the Issuers or any other person (other than the relevant Dealer or affiliate) in connection with the Programme and the issue and offering of Notes thereunder.

### Final Terms, Pricing Supplement or Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or as supplemented, amended and/or replaced by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**") in the case of Exempt Notes, or by a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms, Pricing Supplement and Drawdown Prospectuses*" below. In the case of Exempt Notes, each reference in this Base Prospectus to "Final Terms" shall be read and construed as a reference to the "Pricing Supplement", unless the context requires otherwise.

### The Notes

Notes may only be issued under the Programme which have a denomination of at least €100,000 (or its equivalent in any other currency).

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either (A) individual note certificates in registered form ("**Individual Certificates**"); or (B) one or more unrestricted global note certificates ("**Unrestricted Global Certificates**") in the case of Registered Notes sold outside the United States to persons that are not U.S. persons in reliance on Regulation S and/or one or more restricted global note certificates ("**Restricted Global Certificates**") (together with the Unrestricted Global Certificate(s), the "**Global Certificates**") in the case of Registered Notes sold to QIBs in reliance on Rule 144A.

Each Note represented by an Unrestricted Global Certificate will either be: (A) in the case of a Global Certificate which is not to be held under the new safekeeping structure ("**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository and/or the sub-custodian; or (B) in the case of a Global Certificate to be held under the NSS, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Note represented by a Restricted Global Certificate will be: (A) deposited with, and registered in the name of, a nominee, common depository or common safekeeper for Euroclear or Clearstream, Luxembourg; or (B) registered in the name of Cede & Co. as nominee for the Depository Trust Company ("**DTC**") and the relevant Restricted Global Certificate will be deposited on or about the issue date with the custodian for DTC (the "**DTC Custodian**"). Beneficial interests in Notes represented by a Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by such clearing systems and their respective participants.

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest

coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

#### **Other relevant information**

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each of the Issuers has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all necessary information with regard to it and its subsidiaries which is (in the context of the Programme or the issue, offering and sale of the Notes) material to an investor for making an informed assessment of the assets and liabilities, profits and losses, financial position and prospects of itself and its subsidiaries, of the rights attached to such Notes and the reasons for the issuance of such Notes and the impact of such issuance on itself, as required by the UK Prospectus Regulation. Each Issuer has also confirmed that such information is true and accurate in all material respects and not misleading and does not omit to state any other fact required (in the context of the Programme or the issue, offering and sale of the Notes) to be stated therein or the omission of which would make any information contained herein misleading in any material respect and all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information.

To the fullest extent permitted by law, none of the Dealers, Citigroup Global Markets Limited in its capacity as arranger (the "**Arranger**"), Citicorp Trustee Company Limited (the "**Trustee**"), Citibank, N.A., London Branch (the "**Principal Paying Agent**", "**Calculation Agent**" and "**Transfer Agent**") or Citigroup Global Markets Europe AG (the "**Registrar**" and together with the Principal Paying Agent, the Calculation Agent and the Transfer Agent, the "**Agents**") accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee, the Agents or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are without prejudice to the responsibilities of the Issuers under or in connection with the Notes.

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

#### **Unauthorised Information**

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, the Arranger, the Trustee, the Agents or any Dealer.

None of the Dealers, the Arranger, or any of their respective affiliates, the Trustee or the Agents has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus

or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuers since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers, the Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Trustee or the Agents. Investors should review, *inter alia*, the most recent published financial statements of the relevant Issuer when evaluating the Notes.

### **Restrictions on distribution**

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the relevant Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*" below.

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, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Registered Notes represented by the Unrestricted Global Certificate(s) are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S ("**Unrestricted Registered Notes**") and the Registered Notes represented by the Restricted Global Certificate(s) are being offered and sold within the United States to QIBs in reliance on the exemption from registration under the Securities Act provided by Rule 144A ("**Restricted Registered Notes**"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

To permit compliance with Rule 144A in connection with resale of Notes that are "Restricted Securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuers will furnish upon the request of a holder of such Notes or of a beneficial owner of an interest therein, to such holder or beneficial owner or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act, if at the time of such request, the relevant Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

**NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

Neither this Base Prospectus nor any Final Terms nor any of the documents incorporated by reference constitutes an offer or an invitation to subscribe for or purchase any Notes and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Trustee, the Arranger or any of the Dealers that any

recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers.

#### **EU MiFID II product governance / target market**

If applicable, the Final Terms in respect of any Notes may include a legend entitled "EU MiFID II Product Governance / Professional Investors and ECPs only Target Market" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive (EU) 2014/65 on markets in financial instruments (as amended, "**EU MIFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

#### **UK MiFIR product governance / target market**

If applicable, the Final Terms in respect of any Notes will include a legend entitled "UK MiFIR Product Governance / Professional Investors and ECPs only Target Market" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. A distributor should take into consideration this target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive (EU) 2016/97, as amended or superseded, 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, as amended (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or

otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of:

- (a) 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 UK by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**"); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

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.

### **Benchmark Regulation**

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of EUWA (the "**UK Benchmark Regulation**"). If any such reference rate constitutes a benchmark under the UK Benchmark Regulation, the relevant Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (*Register of administrators and benchmarks*) of the UK Benchmark Regulation. Transitional provisions in the UK Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the relevant register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the UK Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuers do not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

### **Suitability of investment in the Notes**

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes, be familiar with the behaviour of any relevant indices and financial markets and be familiar with the resolution regime applicable to the Group, including the possibility that the Notes may become subject to write-down or conversion if the resolution powers are exercised; and

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The 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 and other advisers to determine whether and to what extent: (1) Notes are legal investments for it; (2) Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **Programme limit**

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Programme Agreement as defined under "*Subscription and Sale*" below)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

### **Definitions**

In this Base Prospectus, references to: (A) "£", "**GBP**" or "**pounds sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**" or the "**UK**"); (B) "€" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; and (C) "**U.S.\$**" or "**U.S. dollars**" are to the lawful currency for the time being of the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia (the "**United States**" or "**U.S.**"). References to the "**Group**" are to the Company and its subsidiaries taken as a whole. References to "**CYBG Group**" are to the Company and its subsidiaries taken as a whole prior to the acquisition of VMH and references to the "**VMH Group**" are to Virgin Money Holdings (UK) plc ("**VMH**") and its subsidiaries taken as a whole.

Certain figures included in this Base Prospectus 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.

Any reference in this Base Prospectus to any legislation (whether primary legislation or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

### **Ratings**

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) applicable to the relevant Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "**EU CRA Regulation**") unless (i) the rating is 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 (ii) the rating is provided by a credit rating agency not established in the EEA but which is certified under the EU CRA Regulation. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (i) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation; (ii) issued by a credit rating agency which is not established in the EEA but



will be endorsed by a credit rating agency which is established in the EEA and registered under the EU CRA Regulation; or (iii) issued by a credit rating agency which is not established in the EEA but which is certified under the EU CRA Regulation, will be disclosed in the relevant Final Terms.

Similarly, UK regulated investors are generally restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under Regulation (EC) No. 1060/2009, as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK CRA Regulation**") unless (i) the rating is 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 (ii) the rating is provided by a credit rating agency not established in the UK but which is certified under the UK CRA Regulation. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (i) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation; (ii) issued by a credit rating agency which is not established in the UK but will be endorsed by a credit rating agency which is established in the UK and registered under the UK CRA Regulation; or (iii) issued by a credit rating agency which is not established in the UK but which is certified under the UK CRA Regulation, will also be disclosed in the relevant Final Terms.

As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Company by Fitch Ratings Limited ("**Fitch**") was BBB+, the long-term Issuer Credit Rating assigned to the Company by S&P Global Ratings UK Limited ("**S&P**") was BBB- and the Long-Term Issuer rating assigned to the Company by Moody's Investors Service Limited ("**Moody's**") was Baa3. In addition, the long-term Issuer Default Rating assigned to the Bank by Fitch was A-, the long-term Issuer Credit Rating assigned to the Bank by S&P was A-. The Bank also has a Preliminary Senior Debt rating of Baa1 from Moody's. Fitch, S&P and Moody's are established in the UK and are registered under the UK CRA Regulation. As such, each of S&P, 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. The ratings Fitch has given to the Company and the Bank are endorsed by Fitch Ratings Ireland Limited, the ratings S&P has given to the Company and the Bank are endorsed by S&P Global Ratings Europe Limited and the ratings Moody's has given to the Company and the Bank are endorsed by Moody's Deutschland GmbH. Each of Fitch Ratings Ireland Limited, S&P Global Ratings Europe Limited and Moody's Deutschland GmbH is established in the EEA and registered under the EU CRA Regulation.

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

### **Stabilisation**

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Final Terms 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 relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

### **SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES**

The Company is duly incorporated as a public limited company incorporated under the laws of England and Wales and the Bank is duly incorporated as a public limited company incorporated under the laws of Scotland. Each of the Issuer's respective directors and executive officers are non-residents of the United States. All or a substantial portion of the respective assets of the Company and the Bank and of their respective directors and officers are located outside the

United States. As a result, it may not be possible for an investor to effect service of process within the United States upon those persons or to enforce against them judgements of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States.

### **SUPPLEMENTAL BASE PROSPECTUS**

If at any time either of the Issuers shall be required to prepare a supplement to the Base Prospectus pursuant to the UK Prospectus Regulation, such Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be admitted to trading on the Main Market or on the ISM, as specified in the relevant Final Terms or Pricing Supplement, as applicable, and in the case of Notes admitted to trading on the Main Market and admitted to listing on the Official List, shall constitute a supplemental base prospectus as required by the UK Prospectus Regulation.

### **FORWARD-LOOKING STATEMENTS**

Some of the statements in this Base Prospectus include forward-looking statements which reflect the Issuers' 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 Company 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 Issuers, 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 this Base Prospectus.

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 this Base Prospectus speak only as of the date of this Base Prospectus, reflect the Issuers' current beliefs 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 this Base Prospectus which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Base Prospectus, 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 the rules published by the FCA under Section 73A of the FSMA, the rules and regulations made by the FCA under Part VI of the FSMA and/or the disclosure and transparency rules produced by the FCA and forming part of the handbook of the FCA, as amended from time to time, neither of the Issuers undertake any 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.

### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)**

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant

to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The relevant Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

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## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the FCA and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) all sections of the Company's First Quarter 2021 Trading Update from the section entitled "*Supporting our customers*", excluding:
  - (i) the second paragraph under the heading "Stable NIM with momentum in deposit repricing; Subdued Non-interest income reflects dynamics of COVID";
  - (ii) the last paragraph in the section headed "Maintaining coverage levels given economic uncertainty";
  - (iii) the second sentence under the heading "Continuing to improve efficiency";
  - (iv) the last sentence in the third paragraph under the heading "Well positioned for an uncertain environment"; and
  - (v) the section headed "Outlook",of the Company's First Quarter 2021 Trading Update (the "**First Quarter 2021 Trading Update**");
- (b) the unaudited consolidated financial statements and the independent auditor's review report of the Company in respect of the six months ended 31 March 2020 set out on pages 49 to 79 (inclusive) of the Company's 2020 Interim Financial Report (the "**2020 Interim Financial Report**") and the glossary set out on pages 80 to 82 (inclusive) of the 2020 Interim Financial Report;
- (c) the section entitled "*Risk management*" set out on pages 19 to 47 (inclusive) of the 2020 Interim Financial Report, excluding:
  - (i) the column entitled "*Pro-forma 12 months to 30 Sept 2019 (unaudited) £m*" on page 24; and
  - (ii) the column entitled "*Pro-forma 6 months to 31 Mar 2019 (unaudited) £m*" on page 24.
- (d) the audited consolidated financial statements and the independent auditor's audit report of the Company in respect of the year ended 30 September 2020 set out on pages 183 to 254 (inclusive) of the Company's 2020 Annual Report and Accounts (the "**2020 Company Audited Financial Statements**");
- (e) the section entitled "*Risk report*" set out on pages 113 to 180 (inclusive) of the Company's 2020 Annual Report and Accounts, excluding the column entitled "Pro forma 30 Sep 2019 (unaudited) £m" found in the second table in the section entitled "*Key credit metrics*" on page 124 of the Company's 2020 Annual Report and Accounts (the "**2020 Company Risk Report**");
- (f) the sections entitled "*Financial performance measures*", "*Underlying adjustments to the statutory view of performance*", "*Glossary*", "*Abbreviations*" and "*Country by country reporting*" set out on pages 257 to 266 (inclusive) of the Company's 2020 Annual Report and Accounts (the "**2020 Company Financial Performance Measures**");
- (g) the following from the sections entitled "*Chief Financial Officer's review*" and "*Overview of Group results – statutory basis*" set out on pages 34 to 44 (inclusive) of the Company's 2020 Annual Report and Accounts:
  - (i) the table headed "*Costs*" on page 37 in the section entitled "*Chief Financial Officer's review*";

- (ii) the table headed "*Balance sheet*" on page 40 in the section entitled "*Chief Financial Officer's review*";
  - (iii) the tables headed "*Capital*" and "*CET1 ratio in-year movements*" (and associated footnotes) on page 41 in the section entitled "*Chief Financial Officer's review*";
  - (iv) the paragraph headed "*Reconciliation of statutory to underlying results*" on page 44 in the section entitled "*Overview of Group results – statutory basis*"; and
  - (v) the table headed "*2020 Income Statement*" on page 44 in the section entitled "*Overview of Group results – statutory basis*".
- (h) the audited consolidated financial statements and the independent auditor's audit report of the Company in respect of the year ended 30 September 2019 set out on pages 194 to 285 (inclusive) of the Company's 2019 Annual Report and Accounts (the "**2019 Company Audited Financial Statements**");
- (i) the section entitled "*Risk Report*" set out on pages 137 to 191 (inclusive) of the Company's 2019 Annual Report and Accounts, excluding:
- (i) the column entitled "PRO FORMA 30 SEP 2018 (UNAUDITED) £M" found in the table entitled "Gross loans and advances to customers" on page 149;
  - (ii) the column entitled "PRO FORMA 30 SEP 2018 (UNAUDITED) £M" found in the table entitled "Contingent liabilities and credit-related commitments" on page 149;
  - (iii) the following text on page 164: "PRO FORMA 2018: 15.1%", "PRO FORMA 2018: 116%" and "PRO FORMA 2018: 161%";
  - (iv) the column entitled "*PRO FORMA 2018 £M*" found in the table entitled "*Capital position and CET1 (unaudited)*" on page 169;
  - (v) the column entitled "*PRO FORMA 2018 £M*" found in the second table in the section entitled "*Leverage*" on page 170;
  - (vi) the following text in the section entitled "*Leverage*" on page 170: "(30 September 2018 pro forma: 4.6%)";
  - (vii) the column entitled "*PRO FORMA 2018 (UNAUDITED) £M*" found in the table in the section entitled "*Sources of funding*" on page 172;
  - (viii) the following text in the section entitled "*Sources of funding*" on page 172: "(2018 pro forma: £84,848m)";
  - (ix) the following text in the section entitled "*Customer deposits*" on page 172: "(2018 pro forma: £61,015m)";
  - (x) the following text in the section entitled "*Equity*" on page 172: "(2018 pro forma: £5,184m)"; and
  - (xi) the column entitled "*PRO FORMA 2018 (UNAUDITED) £M*" found in the table entitled "*Liquid assets portfolio*" on page 173,
- of the Company's 2019 Annual Report and Accounts (the "**2019 Company Risk Report**");
- (j) the section entitled "*Financial Performance Measures*" set out on pages 278 to 279 (inclusive) of the Company's 2019 Annual Report and Accounts, excluding:
- (i) all text in the row for the term "*Pro forma tangible net asset value (TNAV) per share*" in the table headed "*Capital optimisation*" on page 279; and

- (ii) all text in the row for the term "*Pro forma underlying basic earnings per share*" in the table headed "*Capital optimisation*" on page 279,

of the Company's 2019 Annual Report and Accounts (the "**2019 Company Financial Performance Measures**");

- (k) the audited consolidated financial statements and the independent auditor's audit report of the Bank in respect of the year ended 30 September 2020, the glossary and the section on country by country reporting set out on pages 108 to 199 (inclusive) of the Bank's 2020 Annual Report and Accounts (the "**2020 Bank Audited Financial Statements**");
- (l) the section entitled "*Risk Report*" set out on pages 12 to 101 (inclusive) of the Bank's 2020 Annual Report and Consolidated Financial Statements (the "**2020 Bank Risk Report**");
- (m) the audited consolidated financial statements and the independent auditor's audit report of the Bank in respect of the year ended 30 September 2019 and glossary set out on pages 83 to 194 (inclusive) of the Bank's 2019 Annual Report and Accounts (the "**2019 Bank Audited Financial Statements**");
- (n) the section entitled "*Risk Report*" set out on pages 10 to 78 (inclusive) of the Bank's 2019 Annual Report and Consolidated Financial Statements (the "**2019 Bank Risk Report**");
- (o) the terms and conditions set out on pages 60-108 of the base prospectus dated 5 February 2020 relating to the Programme (the "**2020 Conditions**"), the terms and conditions set out on pages 73-118 of the base prospectus dated 1 July 2019 relating to the Programme (the "**2019 Conditions**") and the terms and conditions set out in pages 80-122 of the base prospectus dated 7 September 2018 relating to the Programme (the "**2018 Conditions**").

The above documents may be inspected as described in paragraph 7 of "*General Information*" herein.

The documents listed above are available at <https://www.virginmoneyukplc.com/investor-relations/>. Any information incorporated by reference in the documents specified above does not form part of this Base Prospectus, except where such information is specifically incorporated by reference into this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant for prospective investors for the purposes of the UK Prospectus Regulation or is covered elsewhere in this Base Prospectus. Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Each of the Company and the Bank have applied International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and as adopted by the European Union ("**EU**") and endorsed in the UK in the audited financial statements incorporated by reference above. The Company and the Bank have applied International Accounting Standards ("**IAS**") as issued by the International Accounting Standards Board in the unaudited interim financial statements incorporated by reference above. A summary of the significant accounting policies for the Company is included in the 2020 Company Audited Financial Statements and a summary of the significant accounting policies for the Bank is included in the 2020 Bank Audited Financial Statements.

## **PRESENTATION OF FINANCIAL INFORMATION**

Unless otherwise stated in this Base Prospectus, financial information in relation to the Group referred to in this Base Prospectus has been extracted or derived without material adjustment

from the First Quarter 2021 Trading Update, 2020 Interim Financial Report, 2020 Company Audited Financial Statements, 2019 Company Audited Financial Statements, 2020 Bank Audited Financial Statements, 2019 Bank 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 this Base Prospectus, including the information incorporated by reference herein, and not only rely on the key information 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. Where information has been extracted from the unaudited interim financial statements of the Group, the information is described as unaudited unless otherwise stated.

### **ALTERNATIVE PERFORMANCE MEASURES**

Certain alternative performance measures ("**APMs**") are included or referred to in this Base Prospectus (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 Issuers consider that these APMs provide useful information to enhance the understanding of their 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 Company can be found at pages 258 and 259 of the 2020 Company Audited Financial Statements and an explanation of the components and calculation method of each such APM relating to the Bank can be found on page 192 of the 2020 Bank Audited Financial Statements (both of which are also incorporated by reference as more fully set out on pages 1 to 3 of this Base Prospectus).



## **FINAL TERMS, PRICING SUPPLEMENT AND DRAWDOWN PROSPECTUSES**

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the necessary information which is material to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company and/or Bank (as the case may be), of the rights attaching to the Notes and the reasons for issuance of the relevant Series of Notes and its impact on the relevant Issuer. In relation to the different types of Notes which may be issued under the Programme, the Company and the Bank have included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in this Base Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus or, in the case of Exempt Notes, a Pricing Supplement, will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus or Pricing Supplement, as applicable. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise.

## OVERVIEW OF THE PROGRAMME

*The following overview is a general description of the Programme, must be read as an introduction to this Base Prospectus, and is qualified in its entirety by the remainder of this Base Prospectus and the information incorporated by reference herein (and, in relation to any Tranche of Notes, the relevant Final Terms). Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this Overview of the Programme.*

Issuers:	Virgin Money UK PLC (formerly CYBG PLC) and Clydesdale Bank PLC
Issuer Legal Entity Identifiers (LEI):	Virgin Money UK PLC: 213800ZK9VGCYYR6O495 Clydesdale Bank PLC: NHXOBHMY8K53VRC7MZ54
Arranger:	Citigroup Global Markets Limited
Dealers:	Barclays Bank Ireland PLC Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International Lloyds Bank Corporate Markets plc Merrill Lynch International Morgan Stanley & Co. International plc NatWest Markets Plc and any other Dealer appointed from time to time by the Issuers either generally in respect of the Programme or by any of the Issuers in relation to a particular Tranche of Notes.
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent, Calculation Agent and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG
Admission to Listing and Trading:	Applications have been made for Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA and to trading on the Main Market.  Additionally, application has been made for Notes to be admitted to trading on the ISM. The ISM is not a regulated market situated or operating within the United Kingdom for

the purposes of the UK Prospectus Regulation. The ISM is a market designated for professional investors.

The relevant Final Terms or Pricing Supplement, as applicable, will state on which market(s) the relevant Notes will be admitted to trading, if any.

Notes which are designated in the relevant Pricing Supplement as being admitted to trading on the ISM are not admitted to listing on the Official List.

Clearing Systems: For Registered Notes represented by a Restricted Global Certificate: Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or The Depository Trust Company ("**DTC**").

For Notes other than Registered Notes represented by a Restricted Global Certificate: Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of such Notes, any other clearing system as may be specified in the relevant Final Terms.

Programme Amount: Up to £10,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Issuance in Series: Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches (each a "**Tranche**") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Final Terms, Pricing Supplement or Drawdown Prospectus: Each Tranche of Notes will be issued on the terms set out in the Conditions as completed by the relevant Final Terms, Pricing Supplement or Drawdown Prospectus.

Forms of Notes: Notes may be issued in bearer form or in registered form.

#### *Bearer Notes*

Bearer Notes will be sold outside the United States to persons that are not U.S. persons in "offshore transactions" within the meaning of Regulation S. In respect of each Tranche of Bearer Notes, the relevant Issuer will deliver a Temporary Global Note or (if TEFRA is specified as non-applicable or if the TEFRA C Rules are specified as applicable) a Permanent Global Note.

Each Temporary Global Note will be exchangeable for a Permanent Global Note. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form ("**Definitive Notes**") in accordance with its terms. Definitive Notes will, if interest-bearing, have interest coupons

("Coupons") attached and, if appropriate, a talon ("Talon") for further Coupons.

Each global note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and each global Note which is not intended to be issued in NGN form (a "CGN"), as specified in the relevant Final Terms, will be deposited on or before the relevant issue date therefore with a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg.

#### *Registered Notes*

Each Tranche of Registered Notes will be represented by either (A) Individual Certificates; or (B) one or more Unrestricted Global Certificates in the case of Registered Notes sold outside the United States to persons that are not U.S. persons in reliance on Regulation S and/or one or more Restricted Global Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A.

Each Note represented by an Unrestricted Global Certificate will either be: (A) in the case of a Global Certificate which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository and/or the sub-custodian; or (B) in the case of a Global Certificate to be held under the NSS, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Note represented by a Restricted Global Certificate will be: (A) deposited with, and registered in the name of, a nominee, common depository or common safekeeper for Euroclear or Clearstream, Luxembourg; or (B) registered in the name of Cede & Co. as nominee for DTC and the relevant Restricted Global Certificate will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by such clearing systems and their respective participants.

Currencies: Notes may be denominated in pounds sterling, euro, U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Senior Notes: The Senior Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer which rank *pari passu* without any preference among themselves

and, in the event of a Winding-Up, will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Issuer, save for such obligations as may be preferred by provisions of law.

Status of the Tier 2 Capital Notes:

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct unsecured and subordinated obligations of the relevant Issuer ranking *pari passu* without any preference among themselves.

On a Winding-Up, claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed), Holders of the Tier 2 Capital Notes and any related Coupons against the relevant Issuer in respect of or arising under the Tier 2 Capital Notes and any related Coupons (including any damages awarded for breach of any obligations in respect of the Tier 2 Capital Notes or any related Coupons) will be subordinated in the manner provided herein and in the Trust Deed to the claims of all Senior Creditors but shall rank:

- (a) at least *pari passu* with all claims of holders of all other subordinated obligations of the relevant Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the relevant Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and
- (b) in priority to the claims of holders of:
  - (i) all obligations of the relevant Issuer which rank or are expressed to rank, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the relevant Issuer in respect of any obligations of any other person which rank or are expressed to rank, junior to the claims in respect of the Tier 2 Capital Notes and any related Coupons, including (without limitation) obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and
  - (ii) all classes of share capital of the relevant Issuer.

Issue Price:

Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealers at the time of issue in accordance with prevailing market conditions.

Specified Denominations:	The Notes may be issued in such denominations as may be specified in the relevant Final Terms, save that no Notes may be issued under the Programme which have a denomination of less than €100,000 (or its equivalent in any other currency at the relevant Issue Date).
Maturities:	<p>Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Any Notes issued by the Company having a maturity of less than one year must (A) have a minimum redemption value of £100,000 (or the equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (B) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Company.</p>
Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate, a resetting rate or a floating rate (or a fixed/floating rate or floating/fixed rate).
Fixed Rate Notes:	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Reset Notes:	Reset Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-swap rate for the relevant Specified Currency or a benchmark gilt rate, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(b) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service,</li> </ul> <p>in any such case as adjusted for any applicable margin specified in the relevant Final Terms.</p>

	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount to their principal amount and will not bear interest.
Redemption:	Unless previously redeemed or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.
Optional Redemption:	Notes may be redeemed before the Maturity Date at the option of the relevant Issuer (as described in Condition 9(b) ( <i>Redemption at the option of the Issuer</i> )), to the extent (if at all) specified in the relevant Final Terms, subject to obtaining the Relevant Authority's prior permission for redemption (if, and to the extent, such permission is then required by the Capital Regulations) and complying with certain pre-conditions (see Condition 9(l) ( <i>Restriction on Early Redemption or Repurchase of the Notes</i> )).  To the extent (if at all) specified in the relevant Final Terms, Senior Notes may be redeemed before the Maturity Date at the option of the Noteholders (as described in Condition 9(f) ( <i>Redemption at the option of Noteholders</i> )).
Early Redemption:	Except as described in " <i>Optional Redemption</i> " above, early redemption will only be permitted (A) for tax reasons, as described in Condition 9(c) ( <i>Redemption for Tax Event</i> ); (B) in the case of Tier 2 Capital Notes, for regulatory reasons, as described in Condition 9(d) ( <i>Redemption for Regulatory Event</i> ); and (C), in the case of Senior Notes (if so specified in the relevant Final Terms) if the Notes are fully or (if so specified in the relevant Final Terms) partially excluded from the Issuer's and/or the Group's minimum requirements for (1) own funds and eligible liabilities and/or (2) loss absorbing capacity instruments, as described in Condition 9(e) ( <i>Redemption for Loss Absorption Disqualification Event</i> ), in each case subject to obtaining the Relevant Authority's prior permission for redemption (if, and to the extent, such permission is then required by the Capital Regulations) and complying with certain pre-conditions (see Condition 9(l) ( <i>Restriction on Early Redemption or Repurchase of the Notes</i> )).
Substitution or Variation following a Regulatory Event or a Loss Absorption Disqualification Event:	If so specified in the applicable Final Terms for any Series of Notes, upon the occurrence of a Regulatory Event or a Loss Absorption Disqualification Event (as applicable) and without the consent of the Noteholders, the Issuer may either substitute all (but not some only) of the relevant Series of Notes for, or vary the terms of such Series Notes so that they remain or become, Compliant Notes see Condition 9(m) ( <i>Substitution or Variation</i> ).
Negative Pledge:	None.
Cross Default:	None.
Taxation:	All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the relevant Issuer shall

be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the relevant Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders 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 12 (*Taxation*).

Substitution: Subject to Condition 17(d) (*Relevant Authority Notice or Consent*), the Trustee may in certain circumstances, without the consent of the Noteholders, agree to the substitution of the relevant Issuer, as described in Condition 17(c) (*Substitution*).

Governing Law: English Law.

Agreement with respect to the exercise of the UK Bail-in Power: Applicable.

Ratings: As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Company by Fitch was BBB+, the long-term Issuer Credit Rating assigned to the Company by S&P was BBB- and the long-term Issuer Rating assigned to the Company by Moody's was Baa3. In addition, the long-term Issuer Default Rating assigned to the Bank by Fitch was A- and the Issuer Credit Rating assigned to the Bank by S&P was A-. The Bank also has a Preliminary Senior Debt rating of Baa1 from Moody's. Fitch, S&P and Moody's are established in the United Kingdom and are registered under the UK CRA Regulation.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s), which will not necessarily be the same as the ratings applicable to the Issuer, will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (A) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation; (B) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the EU CRA Regulation; or (C) issued by a credit rating agency which is not established in the EEA but which is certified under the EU CRA Regulation, will be disclosed in the Final Terms. In addition, whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (A) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation; (B) issued by a credit rating agency which is not established in the UK but will be endorsed by a credit rating agency which is established in the UK and registered under the UK CRA Regulation; or (C) issued by a credit rating agency which is not established in



the UK but which is certified under the UK CRA Regulation, will also be disclosed in the relevant Final Terms.

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

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, Japan, Hong Kong and Singapore see "*Subscription and Sale*" below.

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth and referred to below and the other information contained in this Base Prospectus (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 Issuers' 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 Issuers and the Group face, many of which relate to events and depend on circumstances that may or may not occur in the future. The Issuers have described only those risks relating to their operations that they consider to be material. There may be additional risks that the Issuers currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above.*

*Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall 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. As at 30 September 2020, mortgage lending comprised 80 per cent. of the Group's customer loan portfolio, business loans comprised 12 per cent. and unsecured personal lending (including personal loans, credit cards and overdrafts) comprised 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 "PD") and the amount the Group expects to be irrecoverable from that customer (the "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 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 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**

Climate risk is a cross-cutting risk that manifests through other principal risks, primarily strategic and enterprise risk, credit risk and operational risk. The Group is exposed to physical, transition and reputation risks arising from climate change. Physical risks from climate change arise from climate and weather-related events, such as heatwaves, droughts, floods, storms, sea level rise, coastal erosion and subsidence. These risks could result in financial losses, impairing asset values and the creditworthiness of customers. Transition risks arise from the process of adjustment towards a low-carbon economy. This could lead to changes in policy, technology and sentiment, prompting a reassessment of the value of a large range of assets and creating credit exposures for banks and other lenders as costs and opportunities become apparent. Reputation risk could arise from a failure to meet changing societal, investor or regulatory demands. If the Group does not adequately embed risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

## 2. Business and Economic Risks

### 2.1 Risks relating to the impact of COVID-19

The global COVID-19 pandemic and the widespread and rapid implementation of measures to contain it including severe restrictions on movement of individuals have and are continuing to cause widespread disruption to normal patterns of business activity and to financial markets in the UK and across the world. As a result, COVID-19 has emerged as a multi-faceted risk with a variety of implications for the Group. The impact of the pandemic, the steps taken to control it and the measures introduced to support the economy in the UK and elsewhere create new credit, operational, conduct, regulatory, financial crime and financial risks which could have a material adverse effect on the business, financial condition, capital position, results of operations, execution of its medium-term growth strategy, customer proposition development and prospects of the Group.

The Group is exposed to a variety of risks resulting from a downturn in the UK economic environment caused by the impact of the COVID-19 pandemic. The precise duration and depth of the economic downturn in the UK is uncertain, but risks to credit and margin performance of the Group are expected and significant disruption to both business supply and demand has already been seen. The efficacy of monetary and fiscal policy and the speed and ability with which the UK can return to normal operating conditions will determine the overall economic impact for the UK and the Group. The pandemic is likely to cause interest rates to remain at historically low levels (and there is speculation about the possibility for the Bank of England base rate to move to a negative rate), and will result in longer term economic effects, potentially putting pressure on the Group's financial performance. The potential introduction of negative interest rates may place further pressure on the Group's margins.

Although the impact on the Group's retail and business credit portfolios is yet to be fully manifest, it is clear that credit risk has heightened, with the Group granting increased levels of capital repayment holidays, forbearance, extensions of credit, including through the Coronavirus Bounce Back Loan Scheme ("**BBLS**"), Coronavirus Business Interruption Loan Scheme ("**CBILS**") and the Coronavirus Large Business Interruption Loan Scheme and other forms of support to its customers. There is a risk that levels of default, provisions and impairments will increase over time which could have a material adverse effect on the business and financial condition of the Group.

Additional capital may be required by the Group to absorb the impact of heightened levels of credit risk and any increase of impairment levels over time resulting from the COVID-19 pandemic. If the pandemic causes dislocation in wholesale markets or a reduction in investor appetite for holding its securities, this may adversely affect the Group's ability to access capital and funding or require it to access funds at a higher cost, or on unfavourable terms. Additionally, customers' use of deposits may change as a result of the pandemic, particularly amongst businesses and the taking of loan repayment holidays may alter cashflows for the management of liquidity by the Group all of which could have a material adverse effect on the business, financial condition, capital position, results of operations and prospects of the Group.

Other potential risks include credit rating migration and increase in credit losses which could negatively impact the Group's risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to decreased customer deposits, notwithstanding the significant initiatives that the UK government and Bank of England have put in place to support funding and liquidity. Governmental and central bank actions and support measures taken in response to the pandemic may also limit management's flexibility in taking action in relation to capital distribution and capital allocation.

There is a risk that increased remote working, the implementation of new processes and pressure on customer support areas as a result of the pandemic could lead to increased errors or delays and subsequent loss for the Group. Working from home can increase risk

of internal fraud due to reduced control over restricted access to systems and there is an increased risk of cyber-attacks from phishing emails which use a COVID-19 theme. There is an increased risk of fraud, as fraudsters take advantage of the vulnerabilities created by the current situation. Any breach of the Group's systems could disrupt the Group's 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.

The spread of COVID-19 and measures taken to contain it may also have a direct impact on colleague health as well as causing longer term wellbeing risks, such as impact on mental health resulting in absence, increasing pressure on the workforce in the Group and reducing skills available in key areas. The unavailability of staff could harm the Group's ability to perform critical functions and adversely impact the quality and continuity of service to customers and the reputation of the Group. In addition there is a risk that failure to recognise the impact of COVID-19 on vulnerable customers or those in financial difficulties could lead to claims for conduct matters or regulatory censure which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group continues to operate in a highly competitive environment, with growth across a number of digital-only providers and emerging signs of participation from large technology companies. Forced changes in customer behaviour, as a result of COVID-19, could make it easier and faster for these digital companies to enter the UK financial services market placing increasing competitive pressure on the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may also be exposed to regulatory risk where it has had to introduce new or shortened processes in response to the requirements of government schemes, such as CBILS and BBLS, or in its own commitment to provide urgent support to customers.

## **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. In particular, levels of retail and business borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, employment trends, the level of inflation, market interest rates and the broader state of the UK economy.

The evolution of the geo-political environment can also be expected to have a material impact on business performance with ongoing uncertainties around the potential impacts of the UK's withdrawal from the European Union (see "*Risks in relation to the UK's exit from the EU*" below). The above will affect the future performance of the UK economy and subsequently the banking industry. 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, interest rates and change in consumers' disposable income can each have a material impact on a customer's business. 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. 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. Another referendum on Scottish independence which results in Scotland leaving the UK may exacerbate these issues and impact the Group's associated costs, business, results of operations, financial condition and prospects.

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. For example, central banks around the world have made efforts to increase liquidity in the financial markets, by taking measures such as increasing the amounts they lend directly to financial institutions and lowering interest rates. However, it is not certain how long or on what terms these central bank schemes will continue. There is some market expectation that certain central banks, including the Bank of England (the "**BoE**"), may tighten their monetary policy to increase interest rates back to levels closer to historical norms, however this is expected to occur over a number of years with current consensus reflecting only one further increase across the medium term. A prolonged period of low interest rates carries the risk that market participants may take on or have taken on more risk than they expected in a "search for yield", leaving them exposed to an earlier or more rapid than expected tightening in monetary policy.

In addition, volatility in credit, currency and equity markets globally may result in uncertainty that could affect all banks, including the Group. Market volatility during the global financial crisis led to, and may in the future 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; and
- (i) 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, there are concentrations in Greater London, the rest of the South of England, the North of England and Scotland. 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 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 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, adverse seasonal weather patterns, falling land prices, global oversupply and volatility in commodity markets, changes in government policy such as reductions to farming subsidies (including, after the UK's withdrawal from the EU, those provided via the EU Common Agricultural Policy), 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.

*First*, 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, it has also reduced incentives for consumers to save and, in doing so, potentially affected the amount of funding from customer deposits that could be provided to banks, as consumers are incentivised to seek alternative investments offering returns higher than those offered by PCAs, BCAs or savings accounts. The sustained low interest rate environment in recent years has also reduced incentives for consumers to transfer balances to accounts. If and when interest rates increase, 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. 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.

*Thirdly*, interest rates affect the Group's net interest income and margins. As at the date of this Base Prospectus, the BoE base rate was 0.1 per cent., having been held at historically low levels since March 2009. In the 30 years preceding December 2007, the lowest level of the base rate was 3.5 per cent. This low interest rate environment has impacted net interest income and margins throughout the UK banking industry, including at the Group. 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. The Group's business and financial performance and net interest income and margin may continue to be adversely affected by the continued low interest rate environment.

In the event of sudden, large or frequent increases in interest rates, 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 if 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

The UK left the European Union ("**EU**") on 31 January 2020 at 11pm local time. At that time, the EU treaties automatically ceased to apply to the UK. The UK entered an implementation period during which it negotiated its future relationship with the EU and concluded a free trade agreement known as the UK-EU Trade and Cooperation Agreement (the "**TCA**"). The TCA, which entered into force at 11 p.m. local time on 31 December 2020 (the implementation period completion day, or "**IP completion day**"), 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, as a unilateral matter and in order to mitigate the effect of the EU Treaties no longer applying to the UK, 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 political and economic outlook of the UK and the EU 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 and the political response to COVID-19 have also caused 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 both Scotland and 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. In respect of Scottish independence from the United Kingdom, the First Minister of Scotland has previously announced an intention to hold a second independence referendum. The Issuers cannot predict the outcome of this continuing constitutional tension or how the



future departure of Scotland and/or Northern Ireland from the UK would affect the Group's business, prospects and results of operations.

In particular, whilst the Company is headquartered and incorporated in England and Wales as at the date of this Base Prospectus, the Bank is headquartered and incorporated in Scotland. A future departure of Scotland from the UK could 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.

#### **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. Whilst highly unlikely, 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. Whilst this risk is highly unlikely to materialise, systemic risk could 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 the implementation of its medium-term growth strategy**

The Group faces a variety of risks associated with the implementation of its medium-term growth strategy. A failure to achieve its strategic objectives including pioneering growth, delighted customers and colleagues, super straightforward efficiency and discipline and

sustainability, as described in more detail in the section titled "*Information on the Group*" below, 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 pioneering 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 omni-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 its digital 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 onboarding, 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 may fail to successfully acquire RBS SME customers through the Incentivised Switching Scheme, which could have an adverse impact on the Group's ability to further enhance the Bank's competitiveness in the business banking market**

Competitive pressures in the business banking market remain high, with the large incumbent banks with full service capabilities and scale advantages continuing to account for significant portions of the market share amongst SME customers. The alternative package proposed by the UK authorities to replace the commitment for The Royal Bank of Scotland ("**RBS**") to divest Williams & Glyn, required as part of RBS's restructuring plan (the "**RBS Alternative Remedies Scheme**"), has received significant focus across the sector since its announcement in September 2017. Eligible "challenger banks" were able to apply to participate in an incentivised switching scheme (the "**Incentivised Switching Scheme**"), which went live on 25 February 2019, through which certain RBS SME customers are being financially incentivised to switch their BCAs from RBS to participating "challenger" banks. The RBS Alternative Remedies Scheme has been designed to facilitate the divestment of three per cent. of the BCA market share in the UK SME banking market from RBS to the "challenger" segment.

The Group has been selected to participate in the Incentivised Switching Scheme, and remains focused on competing at scale in the Incentivised Switching Scheme, however there is no guarantee that the Group will successfully acquire large numbers of RBS SME customers through the Incentivised Switching Scheme. Whilst the Group has a well-established business banking proposition, with ahead of market rate new business customer acquisition and SME asset growth, and a clear plan for further growth within its existing strategy, any failure by the Group to successfully acquire RBS SME customers through the Incentivised Switching Scheme, could weaken the Group's ability to compete at the same level as, and further enhance its existing competitive capabilities against, the existing incumbent UK banks and other firms in the banking and financial services sector.

Furthermore, the Group has incurred costs in preparing for its participation in the Incentivised Switching Scheme. The Group may continue to incur such costs. There is no guarantee that the Group will receive any benefit despite incurring these costs. Such costs could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

2.9 **The Group may fail to successfully deploy the £35m award from the Capability and Innovation Fund, as part of the Royal Bank of Scotland Alternative Remedies Scheme, which could have an adverse impact on the Group's ability to further enhance the Bank's competitiveness in the business banking market**

As part of the RBS Alternative Remedies Scheme referenced in 2.8 above, eligible bodies were also able to apply to the "Capability and Innovation Fund" for grant funding to (i) develop and improve their capability to compete with RBS and the wider market in the provision of banking services to SMEs; and (ii) develop and improve the financial products and services which are available to SMEs.

In September 2020, the Group was awarded a £35m grant following its successful application to the Capability and Innovation Fund (the "**Grant**"). This award, which is being match funded internally will provide £70m of investment to support growth in the Group's market share of cost-effective SME deposits and higher-yielding SME assets, while reducing cost-to-serve.

The successful application included a number of public commitments to be achieved through the successful deployment of this investment. These include: launching 'Working Capital Health' for SMEs in 2021 to help SME's optimise their cashflow; attracting 100,000 new SME customers by the end of 2025 (including 20,000 by the end of 2022), 80 per cent of which must be outside London; increasing net lending to SMEs by an extra £2.2bn by the end of 2025 (including £0.5bn by the end of 2022); and providing more than £100m new lending to customers pursuing environmental, social and governance aims. In addition, the Group has agreed to provide an additional 150,000 hours of relationship manager time to SMEs every year from the end of 2022, enabled through an investment in data infrastructure, process digitisation and working capital analytics from the business current account.

Should the Group not deploy the Grant in accordance with its agreement with Banking Competition Remedies ("**BCR**") (which includes a failure to use the funds for the purposes laid out in the above public commitments suitably or fail to meet pre-agreed milestones in relation to the above commitments, it may, at the BCR's discretion, have to repay the grant (in full or in part) plus interest.

Whilst award of the Grant was not factored into the Group's medium-term growth strategy, any failure by the Group to successfully achieve its public commitments through the Capability and Innovation Fund award, could weaken its reputation and ability to compete at the same level as, and further enhance its existing competitive capabilities against, the existing incumbent UK banks and other firms in the banking and financial services sector. The Group has committed to match the Grant funding and has incurred costs in preparing its application to the Capability and Innovation Fund. There is no guarantee that the Group

will receive any benefit from this expenditure which could have a material adverse impact on the business, results of operation, financial condition and prospects of the Group.

## 2.10 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. As at 30 September 2020, 80 per cent. of the Group's customer loans by value were mortgages (both owner-occupied and buy-to-let). 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 Scheme" ("**TFS**"), reaches its final maturity in 2022. The BoE's Term Funding with additional incentives for SMEs scheme ("**TFSME**") will start to be repaid 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. The termination of the UK Government's "Help to Buy" programme (or its Scottish equivalent scheme), could lead to a decrease in house prices. Alternatively, a prolonged continuation of the "Help to Buy" programme could lead to increases in house prices and a resultant "bubble" in the housing market. In addition, the UK Government's stamp duty holiday and increased stamp duty threshold of £500,000, is due to end in October 2021, following decreases in the threshold in June 2021 and September 2021, which could lead to lower lending or a decrease in house prices.

For information on the Group's exposure to the TFS, 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. 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.

**2.11 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.

UK Prudential Regulation Authority (the "**PRA**") rules and FCA guidance limit the volume of new mortgage lending for owner-occupied housing for loans with a loan-to-income ratio of over 4.5 times to no more than 15 per cent. of new loans. For the Group to maintain and grow its mortgage portfolio, the prices of new and existing properties must be at levels, relative to the income of purchasers, to allow them to borrow within the parameters of these regulatory restrictions on lending. If house prices are at too high a multiple of customer income, whether as a result of rising house prices and/or low customer income growth, potential customers will be unable to borrow, and the supply of mortgages will decrease.

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.

Average house prices in the UK have generally been on an upward trend for the last decade. However, if UK house prices were, in the future, to begin to follow a falling trend or if house prices in those regions that the Group has significant exposure begin to follow a falling trend, in particular in Scotland, the North of England, the South East of England and London, 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 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.

**2.12 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 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.

While property sale is an acceptable method of repayment for buy-to-let mortgages, owner-occupied mortgage customers taking out interest-only mortgages are required by regulation to have capital repayment strategies. 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.

#### 2.13 **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 Company 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 Company challenges Virgin Enterprises' ownership of, entitlement to license and/or the validity of the licensed trademarks; (ii) on the Company's insolvency; (iii) upon the Company's material, unremedied breach of the Brand Licence Agreement; (iv) if the Company undergoes a change of control and the acquirer is a direct competitor of Virgin Enterprises (or any of its licensees) in the UK, or an entity involved in any business or activity, or possessing a reputation or financial standing which would be reasonably likely to materially damage the value or reputation of the "Virgin Money" or "Virgin" brands; and (v) the Company's failure to comply with the must-use requirement under the Brand Licence Agreement (which requires, following the rebranding period (which is expected to end no later than 3 years from the completion of the Part VII Transfer which transferred substantially all of the business of Virgin Money plc to the Bank) 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 for cause entitles it to receive a termination fee from the Company 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.

The integration of VMH may expose the Group to risk associated with integrating the "Virgin Money" brand as a result of the risk of customer confusion, in particular during the

transition period and merging of the brands which may expose the Group to increased regulatory scrutiny, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Group offers its full-service retail and business banking proposition through its "Clydesdale Bank", "Yorkshire Bank", "Virgin Money" and "B" 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 Company's share price. There is also a risk that customers may not support or may be deterred by the rebranding of the Company's business and/or 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.

**2.15 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 "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 challenger 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. Despite the implementation of a seven-day Current Account Switch Service in the second half of 2013, switching volumes remain subdued. The Payment Services Directive 2 (EU) 2015/2366 ("**PSD2**") as it forms part of domestic law of the UK under the EUWA has been implemented from January 2018, with a view to further opening up the competitive landscape in addition to providing enhanced protection for consumers. This creates an increased risk for traditional financial services firms and a specific material risk for the Group of disintermediation by third parties. In the UK, open banking regulation requires certain of the largest 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.

2.16 **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, or they do not wish to be located or relocate to the Group's key locations. 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 within its newly developed standalone functions or otherwise 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 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.

There continues to be a period of uncertainty for individuals, and therefore an increased retention risk, during integration following the acquisition of VMH, until 'end state' model and synergies are achieved. Internal restructuring, transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulation 2006, as amended, or measures arising from a transfer, collective consultation involving assessment and selection, cultural factors and leadership behaviour or other 'interim' arrangements, may all potentially impact the Group's ability to retain key talent.

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, and 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*: (a) standalone interest rate hedging products; (b) voluntary scope tailored business loans; (c) fixed rate tailored business loans; (d) packaged bank accounts; (e) investment advice and (f) historically, PPI].

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 legacy CYBG Group and the VMH Group.

As part of the demerger from the National Australia Bank Limited ("NAB") group of companies (the "NAB Group"), NAB and the Company 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 and there are no further funds available to the Group to utilise under the Capped Indemnity Deed. Since that point, all further conduct related costs are fully borne by the Group.

A number of provisions have been taken in previous years to meet expectations in relation to the misselling of PPI policies, including a provision made at 31 December 2020 to cover the unexpected remaining costs of closing down the PPI Programme. However, with the FCA's deadline on PPI complaints now passed, the level of uncertainty in determining the quantity of PPI-related liability has significantly reduced and is not considered material.

Notwithstanding the fact that the Capped Indemnity has now been fully utilised, certain funds paid by NAB under the Capped Indemnity remain deposited in a designated account, the withdrawal of which by the Company is subject to certain conditions. Under the Capped Indemnity Deed, NAB has the benefit of certain information, consultation and audit rights in relation to relevant conduct matters and claims and in particular, 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. If the dispute relates to a matter which is determined to be a continuing material breach by the Company of its obligations under the Capped Indemnity Deed to, among others, provide information to NAB to enable it to review the validity of claims made under the Capped Indemnity and withdrawals from the designated account, the Company will be prohibited from withdrawing the relevant amount of any such disputed payment from such designated account for so long as such breach is continuing. In such circumstances, the Company may be required to fund the costs of claims relating to certain historical conduct matters, which it would otherwise expect to be funded by amounts paid by NAB under the Capped Indemnity, from its own capital resources which may not be sufficient to settle or discharge some or all of any such claims.

In certain circumstances contemplated by the Capped Indemnity Deed, the Company may also be required to repay to NAB certain amounts received by it under the Capped Indemnity. The likelihood of this situation arising is expected to reduce with the passage of time as withdrawals are made from the designated account. As at the date of this Base Prospectus, NAB has not required the Company to repay amounts received under the Capped Indemnity previously and should such a circumstance arise then these funds may be applied to other qualifying conduct costs which have not been subject to the Capped Indemnity before being repaid to NAB. However, if the Company is required to repay to NAB amounts received by it under the Capped Indemnity, it would likely need to fund such repayments from its own capital resources (to the extent the Company is unable to make such repayments from the designated account).

It is possible that the Group will be subject to further claims relating to historic or future conduct matters, which 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**"), Her 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. In particular, regulatory and/or other

developments in respect of PPI and interest rate hedging products have had, and are likely to continue to have, a material adverse effect on the Group's business.

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 and details of the existing provisions.

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 and Legal Risk**

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 (i) historic sales of payment protection insurance ("**PPI**"), and (ii) historic sales of certain business loans and interest rate hedging products. 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 and 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*".

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) ***EU Exit***

Following its departure from the EU in January 2020 and the completion of the Implementation Period on 31 December 2020, the UK will in future enact its own regulation rather than adopt EU regulation. For example, the outstanding parts of the Basel III framework adopted by the EU but that have not yet been implemented will be enacted in the UK in the UK Financial Services Bill and Regulatory Rules (see "*Regulatory Developments — UK Implementation of prudential reforms*" and "*Regulatory Developments — Basel 3.1*" below for more details). Whilst the UK has committed to ensuring that prudential standards are updated in line with international Basel III standards, there are nevertheless some areas where UK regulation may diverge from that in the EU (see "*Regulatory Developments — Software Assets*" below).

##### (b) ***Capital***

A market perception or actual shortage of capital issued by the Group could result in regulatory actions, including requiring the Company to issue additional CET1 securities, requiring the Company 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 Tier 2 Capital Notes may experience reduced profitability and returns.

In addition, any increase in the Pillar 1 requirements, Pillar 2 requirements, the combined buffer or 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.

(c) ***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 Company or the Bank, then existing shareholders and/or debt holders, including holders of the Tier 2 Capital 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 Company or the Bank, 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.

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

The Issuers are subject to the BoE's minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL is subject to phased implementation, with the Issuers subject to an interim MREL requirement from 1 January 2020 and an end-state MREL requirement from 1 January 2022. It is difficult to predict the full effect that MREL requirements may have on the Group until MREL has been fully implemented. An increase in the amount of own funds or eligible liabilities required to be issued by the Company and/or other members of the Group, such as the Bank, 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 more further information on the MREL requirements see "*Regulatory Developments — The UK CRD — Minimum requirement for own funds and eligible liabilities*" below.

(e) ***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 Basel Committee is introducing 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 Basel Committee has removed 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. In February 2021, the PRA published a consultation paper on proposed rules to implement the changes, which would enable the Basel III standards to be implemented by firms from 1 January 2022 (see "*Regulatory Developments – Basel 3.1*" below for more details).

These changes, including regulatory changes arising from the Basel capital adequacy reforms, 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.

(f) **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**"). 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.

The main implementation date given by the Basel Committee is 2023 following the delay to Basel III implementation (see "*Regulatory Developments – Basel 3.1*" below for more details). At the date of this Base Prospectus, the finalised standards are still required to be transposed into UK law. In February 2021, the PRA published a consultation paper (CP 5/21) on proposed rules to implement the Basel III standards into UK law. The consultation closes on 3 May 2021 and the PRA will then publish the final rules, with the intention to enable the Basel III standards to be implemented by firms from 1 January 2022. Until the final rules are published, it is not possible to say with definitive certainty what impact the changes will have on the Group's capital requirements, capital structure, business, financial condition and results of operations. The initial consultative publications were supported by quantitative impact studies which showed that if the proposals were implemented without any mitigation action, as would be expected to be the case for other banks, it would significantly increase the Group's RWAs and subsequent capital held. The publication issued in December 2017 has incorporated several factors that will alter the outcome should a further quantitative impact study be completed and the increasing certainty around the requirements enables market participants, including the Group to introduce mitigating actions to offset areas where the calculation of RWAs may see an increase. The February 2021 consultation paper includes some quantitative estimates of the impact of the proposed rules, but the PRA did not carry out a detailed quantitative assessment due to the demands on the PRA's and firms' resources in the current economic environment.

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.

(g) **Internal Ratings Based on UK mortgage risk weights: Managing deficiencies in model risk capture (CP14/20)**

In September 2020, the PRA issued a consultation paper (CP14/20) setting out proposals to introduce certain floors in respect of internal ratings based approach UK mortgage risk weights. The consultation closed on 30 January 2021, with the final policy expected to take effect from 1 January 2022. The proposals may result in increased capital requirements and the Group and the industry has provided responses to the PRA. At the date of this Base Prospectus, the final policy has not yet been published and so it is not possible to say with definitive certainty the impact the changes will have on the Group's capital requirements. An increase in

the capital requirements of the Group could have a material adverse effect on the Group's business, results of operations and financial condition.

(h) ***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. The PRA has set the expectation for firms to update internal ratings based models by the end of December 2021 for a 1st January 2022 implementation date. 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. The provisions in this policy will take effect on 1 January 2022. The PRA also published a consultation paper on 30 September 2020 (CP 14/20) which sets out proposals to introduce new expectations on the internal ratings based approach for UK mortgage risk weights. The purpose of these proposals is to address the prudential risks stemming from inappropriately low internal ratings based UK mortgage risk weights, to narrow differentials between the internal ratings based and standardised approach UK mortgage risk weights, and to limit future divergence. The PRA considers that this would support competition between firms on the different approaches. This consultation closed on 30 January 2021. As at the date of this Base Prospectus, it is not possible to say with definitive certainty, the impact the changes will have on the Group. 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.

(i) ***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 as the Basel Committee may require different treatments to be applied to certain products.

In March 2018, the Basel Committee published a consultative document proposing a number of revisions to its January 2016 standard and setting out proposals for a simplified alternative to the revised standardised approach to market risk. The final standard was published in January 2019. The PRA's consultation paper (CP 5/21) makes a number of proposals to implement the Basel standards for prudent valuation for market risk and amendments to market risk management requirements. It also includes proposals to require 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.

These changes could increase compliance costs which may have a material adverse effect on the Group's business, financial condition and results of operations.

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

The PRA requires the Company 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 Company 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, the Group will take part in its inaugural BoE concurrent stress test in 2021, the result of which will inform the Group's future capital requirements and/or targets. Any resulting increase 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. 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.

(k) **Leverage ratio risks**

As further described in "Regulatory Developments — Leverage" below, the Company must comply with the PRA's leverage ratio framework. Changes to the framework may lead to additional 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 example, following the publication of the Retail Banking Market Investigation Order ("**CMA Order**") in 2017, whilst not mandatory, the Group is working to introduce APIs to facilitate access by third party payment providers ("**TPPs**"), in line with the standards being produced by the Open Banking Implementation Entity. This will also enable the Group to adhere to requirements under the UK Payment Services Regulations (as amended). Notwithstanding this, aspects of the CMA Open Banking remedy may have a material adverse effect on strategic positioning of the Group in relation to sales of personal current accounts which may have a material adverse effect on the Group's business, financial condition and results of operations. See "Regulatory Developments - CMA - Retail Banking Remedies and Open Banking" and "Regulatory Developments - Payment Services Directive 2 ("**PSD2**")", for more information regarding the CMA's Retail Banking Remedies and the UK Payment Services Regulations, respectively.

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

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. The Group will also face risks related to the integration of the legacy CYBG Group's and the VMH Group's IT systems.

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 including attacks and breaches as a result of the process of integrating VMH into the Group. 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 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.

#### **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, 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, will be 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 domestic law of the United Kingdom 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 does have operational resilience, IT disaster recovery and business continuity contingency 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 Company'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. Intermediaries may not support or may be deterred by the rebranding of the Company's business and/or the ongoing use of the "Virgin Money" brand, which may adversely impact the Group. 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 laws regarding money laundering and the financing of terrorism, as well as laws that prohibit it, its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. 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 anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Group's employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any of 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 IFRS as adopted by 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, PPI redress provision and other conduct related matters, retirement benefit obligations and effective interest rate assumptions. For information on the Group's critical accounting estimates and judgements, see note 1.9 to the financial statements in the 2020 Company Audited Financial Statements, which are incorporated by reference into this Base Prospectus.

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 Her 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 notes 2.5 and 3.9 to the financial statements in the 2020 Company Audited Financial Statements, which are incorporated by reference into this Base Prospectus.

**6. Financial Soundness and Capital Risks**

**6.1 A downgrade in the credit rating of the Company 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 Company 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 Company 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, or when the Group reduces liquidity resources below internal or regulatory stress requirements. 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, covered bond programmes and a global medium term note programme). As a participant in the BoE Sterling Monetary Framework, the Group has also accessed funding via the TFS, which matures in 2021-2022. Following its launch in April 2020, the Group has also been able to access additional funding from the TFSME, 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 holdings of 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 Company, 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 the 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 Company, the Bank and/or any other member of the Group, 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 with the contractual terms of the instrument or through the exercise of statutory powers then, depending on 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 Company 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" below.*

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 internal target amount of capital by taking account of its own assessment of the risk profile of the business, market expectations and regulatory requirements. 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 Company. If the BoE, as resolution authority, were to exercise such powers in respect of the Company, then subordinated 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*" below.

## 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.

Following the reduction in the BoE Base Rate to 0.1 per cent., and noting future market rate expectations, the Group concluded that its five-year structural hedge had generated maximum value. During Q3 2020, the Group's term structural hedges were fully unwound, locking in expected net interest income contributions from the hedges over the next five years. The Group has offset future uncertainty around the path for base rates through the designation of a portion of the Group's CET1 management buffer to the risk, by agreeing a set of predefined triggers that could result in the Group amending its policy. These are reviewed monthly by measuring different base rate sensitivities as part of its stress testing framework. Although the Group expects no significant adverse impact as a result of these changes, it does make the Group more rate sensitive in relation to both an increase or decrease in base rate. The prospect of negative rates in the UK remains highly uncertain not least because of the operational challenges regarding implementation, the interplay with 0 per cent. product floors and because of uncertainty on market and competitor reaction to such a move. 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 Bank's business, financial condition, results of operations and prospects.

**B. RISKS RELATING TO THE NOTES**

**1. Risks related to the structure of the Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain risks relating to the structure of the Notes:

**(a) Tier 2 Capital Notes are subordinated to most of the relevant Issuer's liabilities**

Tier 2 Capital Notes will constitute unsecured and subordinated obligations of the relevant Issuer. On a Winding-Up, all claims in respect of such Notes will rank junior to the claims of all Senior Creditors of the relevant Issuer. Senior Creditors include, amongst other creditors, creditors in respect of secondary non-preferential debts (as defined in the Conditions). If, on a Winding-Up, the assets of the relevant Issuer are insufficient to enable the relevant Issuer to repay the claims of more senior-ranking creditors in full, the holders of the Tier 2 Capital Notes will lose their entire investment in the Tier 2 Capital Notes. If there are sufficient assets to enable the relevant 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 Tier 2 Capital Notes and all other claims that rank *pari passu* with the Tier 2 Capital Notes, holders of the Tier 2 Capital Notes will lose some (which may be substantially all) of their investment in the Tier 2 Capital Notes. See "*Risks relating to the Notes generally — 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.

(b) ***Holders of Tier 2 Capital Notes will, and holders of certain Senior Notes may, have limited remedies***

Payment of principal and accrued but unpaid interest on the Tier 2 Capital Notes, or on any Series of Senior Notes if specified in the relevant Final Terms, 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 Tier 2 Capital Notes, or on any Series of Senior Notes if specified in the relevant Final Terms, or of the relevant Issuer's failure to perform any of its obligations under or in respect of the Tier 2 Capital Notes, under or in respect of any Series of Senior Notes if specified in the relevant Final Terms.

A Winding-up Event results if (1) a court of competent jurisdiction in England (or such other jurisdiction in which the relevant Issuer may be incorporated) makes an order for the winding-up of the relevant Issuer which is not successfully appealed within 30 days of the making of such order or the relevant Issuer's shareholders adopt an effective resolution for the winding-up of the relevant 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 of Notes 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 relevant Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or (3) liquidation or dissolution of the relevant Issuer or any procedure similar to that described in (1) or (2) above is commenced in respect of the relevant Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009, as amended (the "**Banking Act**").

The sole remedy against the relevant Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Tier 2 Capital Notes, or under any Series of Senior Notes if specified in the relevant Final Terms, is (subject to certain conditions and to the provisions set forth in Condition 13 (*Events of Default*)) for the Trustee to institute proceedings in England (or such other jurisdiction in which the relevant Issuer may be organised) (but not elsewhere) for the winding-up of such Issuer and/or prove in the winding-up of such Issuer and/or claim in such Issuer's liquidation or administration.

Although the Trustee may institute such proceedings against the relevant Issuer as it may think fit to enforce any term, obligation or condition binding on such Issuer under the Tier 2 Capital Notes, or under any Series of Senior Notes if specified in the relevant Final Terms, or the Trust Deed (other than any payment obligation of such Issuer under or arising from the Tier 2 Capital Notes, or under or arising from any Series of Senior Notes if specified in the relevant Final Terms, or the Trust Deed, including, without limitation, payment of any principal or interest, excluding any amount due to the Trustee in respect of its fees and/or expenses), the Trustee (acting on behalf of the Noteholders but not the Trustee acting in its personal capacity under the Trust Deed) and the Noteholders shall not enforce, and shall not be entitled to enforce or otherwise claim, against the relevant Issuer any judgment or other award given in such proceedings that requires the payment of money by the relevant Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgment in a winding-up of the relevant Issuer and/or claiming such Monetary Judgment in an administration of the relevant Issuer.

(c) ***The Company is a holding company***

The Company is a holding company that currently has no significant assets other than its loans to, and investments in, its subsidiaries, such as the Bank, which

means that if any such subsidiary is liquidated, the Company's right to participate in the assets of such subsidiary will depend upon the ranking of the Company's claims against such subsidiary according to the ordinary hierarchy of claims in insolvency. So, for example, insofar as the Company is a holder of ordinary shares in one of its subsidiaries, the Company'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 Company 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 Company should in liquidation be treated *pari passu* with those third party claims.

As well as the risk of losses in the event of a subsidiary's insolvency, the Company may suffer losses if any of its loans to, or investments in, such subsidiary are subject to write-down and conversion by statutory power or regulatory direction or if the subsidiary is otherwise subject to resolution proceedings. In particular, the Banking Act 2009 specifies that the resolution powers should be applied in a manner such that losses are transferred to shareholders and creditors in an order which reflects the hierarchy of issued instruments under the relevant Capital Regulations (as defined in the Conditions) and which otherwise respects the hierarchy of claims in an ordinary insolvency. In general terms, the more junior in the capital structure the investments in, and loans made to, any Group subsidiary are, relative to third party investors, the greater the losses likely to be suffered by the Issuer in the event that any Group subsidiary enters into resolution proceedings or is subject to write-down or conversion of its capital instruments or other liabilities. See "*Risks relating to the Notes generally — 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. The Company has in the past made, and may continue to make, loans to, and investments in the Bank and its other subsidiaries with the proceeds received from the Company's issuance of debt instruments. Such loans to, or investments in, such subsidiary by the Company will generally be subordinated to depositors and other unsubordinated creditors and may be subordinated further to meet regulatory capital requirements and furthermore may contain mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or such subsidiary, or upon regulatory direction, would result in a write-down or conversion into equity of such loans and investments.

The Company retains its absolute discretion to restructure such loans to, and any other investments in, any of its subsidiaries, at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary. A restructuring of a loan or investment made by the Company in a subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the relevant subsidiary, and the inclusion of a mechanism that provides for a write-down and/or conversion into equity upon specified triggers or regulatory direction. Any restructuring of the Company's loans to, and investments in, any of its subsidiaries may be implemented by the Company without prior notification to, or consent of, the Holders.

Furthermore, as a result of the structural subordination of the Notes (including Senior Notes) issued by the Company, if any subsidiary were to be wound up, liquidated, dissolved or were subject to resolution proceedings (1) the holders of Notes would have no direct recourse against such subsidiary, and (2) Holders themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the resolution powers conferred by the SRR (as defined in the Regulatory Developments section) or the mandatory write-down and conversion power — see "*Risk Factors — Risks relating to the Notes*

*generally — 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. For a description of the relevant underlying regulatory background, see "Regulatory Developments — EU Banking Reforms, Regulatory Developments — The Banking Act and the SRR" below.*

(d) **Waiver of set-off**

The Holders of the Tier 2 Capital Notes and (if Senior Notes Waiver of Set-off is stated in the relevant Final Terms as being applicable) Senior Notes waive any right of set-off in relation to such Notes insofar as permitted by applicable law. Therefore, Holders of Tier 2 Capital Notes and Senior Notes (if applicable) will not be entitled (subject to applicable law) to set-off the relevant Issuer's obligations under such Notes against obligations owed by them to the relevant Issuer.

(e) **Certain Notes may be redeemed prior to maturity**

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the relevant Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions, subject to the prior permission of the Relevant Authority (if, and to the extent, such permission is then required by the Capital Regulations). Furthermore, the relevant Issuer may be entitled to redeem the Notes if (A) the tax treatment for such Issuer in respect of the Notes is negatively altered after their issue date; (B) a change in the regulatory classification of the relevant Tier 2 Capital Notes occurs on or after their issue date; or (C) if Loss Absorption Disqualification Call is specified in the relevant Final Terms for a Series of Senior Notes as being applicable, such Senior Notes are fully or (if so specified in the relevant Final Terms) partially excluded from the relevant Issuer's and/or the Group's minimum requirements for (1) own funds and eligible liabilities and/or (2) loss absorbing capacity instruments, in each case, subject to the prior permission of the Relevant Authority (if, and to the extent, such permission is then required by the Capital Regulations).

In addition, if in the case of any particular Tranche of Notes, the relevant Final Terms specify that the Notes are redeemable at the relevant Issuer's option in certain other circumstances or at any time, subject to the prior consent of the Relevant Authority (if such consent is then required by the Capital Regulations), the relevant Issuer may be expected to choose to redeem the Notes at times when prevailing interest rates may be relatively low or in other circumstances favourable to the relevant Issuer. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any decision by the relevant Issuer as to whether it will exercise its option to redeem the Notes will be taken at the absolute discretion of the relevant Issuer with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Notes, any tax consequences, the regulatory capital and MREL requirements and the prevailing market conditions. Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes until maturity.

Furthermore, unless, in the case of any particular Tranche of Senior Notes, the relevant Final Terms specify that the Notes are redeemable at the option of the Noteholders, Noteholders will have no right to request the redemption of the Notes and should not invest in the Notes in the expectation that the relevant Issuer would exercise its option to redeem the Notes.

(f) ***Certain Notes may be substituted or the terms of certain Notes may be varied following a Regulatory Event or a Loss Absorption Disqualification Event***

If so specified in the applicable Final Terms, the relevant Issuer may, following a Regulatory Event, in respect of any Tier 2 Capital Notes or a Loss Absorption Disqualification Event in respect of any Senior Notes, without the need for any consent of the Noteholders, substitute all (but not some only) of such Series of relevant Notes for, or vary the terms of such Series so that they remain or become, Compliant Notes.

While Compliant Notes are required to have terms which are not materially less favourable to Noteholders than the terms of the relevant Existing Notes (as reasonably determined by the relevant Issuer), no assurance can be given that any such substitution or variation will not adversely affect any particular holder.

(g) ***Risks relating to Notes which are linked to benchmarks***

Interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory review and reform, with further changes anticipated. These reforms may cause such benchmarks to perform differently than in the past, a benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a benchmark.

Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "EU Benchmark Regulation") and the UK Benchmark Regulation (as defined above under "Important Notices") apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and in the UK, respectively. These regulations could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of any such regulation. In each case, such changes could, among other things, have the effect of reducing or increasing the rate or level, or affect the volatility of, the published rate or level of the benchmark. More broadly, any of the international or national reforms, or the general increase in regulatory scrutiny of benchmarks, could increase the costs and risks of administering or participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the discontinuation or unavailability of quotes of certain benchmarks.

For Notes which are linked to any affected benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to such benchmark may adversely affect such benchmark rates during the term of such Notes and the return on, value of and the trading market for such Notes.

The potential elimination of any benchmark, or changes in the manner of administration of any benchmark or the occurrence of any other event that the relevant Issuer determines to be a Benchmark Event (as defined in the Conditions), or a determination by the relevant Issuer that a Successor Rate (as defined in the Conditions) may be available, could require or result in an adjustment to the interest provisions of the Conditions as determined by an Independent Adviser or the relevant Issuer (as further described in the Conditions), or result in other consequences, in respect of any Notes linked to such benchmark.

The circumstances which can lead to the trigger of a Benchmark Event (as described in the Conditions) are beyond the relevant Issuer's control and the subsequent use of a Successor Rate or an Alternative Benchmark Rate following such Benchmark Event may result in changes to the Conditions and/or interest payments that are lower than or that do not otherwise correlate over time with the payments that could have been made on such Notes if the relevant benchmark remained available in its current form.

Although pursuant to the Conditions, spread adjustments may be applied to any such replacement benchmark in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. There is no assurance that the characteristics of any replacement benchmark would be similar to the affected benchmark, that any replacement benchmark would produce the economic equivalent of the affected benchmark or would be a suitable replacement for the affected benchmark. The choice of replacement benchmark is uncertain and could result in the use of risk-free rates (see "*The market continues to develop in relation to Notes that reference SONIA*" for the risks relating to the use of SONIA, for example) and/or in the replacement benchmark being unavailable or indeterminable.

In certain circumstances the ultimate fallback of interest for a particular Interest Period or Reset Period may result in the rate of interest for the immediately preceding Interest Period or Reset Period, as the case may be, being used. This may result in the effective application of (i) a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or the Initial Rate of Interest; or (ii) a fixed rate for Reset Notes based on the Rate of Interest for the previous Reset Period or the Initial Rate of Interest, as applicable. Furthermore, if the relevant Issuer determines it is not able to follow the prescribed steps set out in the Conditions, the relevant fallback provisions may not operate as intended at the relevant time. Any such consequence could have a material adverse effect on the trading markets for such Notes, the liquidity of such Notes and/or the value of and return on any such Notes.

The Conditions may require the exercise of discretion by the relevant Issuer or an Independent Adviser and the making of potentially subjective judgments (including as to the occurrence or not of any events which may trigger amendments to the Conditions) and/or the amendment of the Conditions without the consent of Noteholders. The interests of the Issuer or those of the Independent Adviser, as applicable, in making such determinations or amendments may be adverse to the interests of the Noteholders. If the relevant Issuer is unable to appoint an Independent Adviser or an Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Benchmark Rate or Adjustment Spread in accordance with the Conditions, the relevant Issuer may have to exercise its discretion to determine (or to elect not to determine) a Successor Rate or an Alternative Benchmark Rate or Adjustment Spread, if applicable. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the relevant Issuer to meet its obligations under Notes linked to a benchmark or could have a material adverse effect on the value or liquidity of, and the amount payable under such Notes. Investors should consider these matters when making their investment decision with respect to such Notes. Investors should also consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmark Regulation, the UK Benchmark Regulation

and any other regulations relating to benchmarks and/or any possible cessation or reform of certain reference rates.

(h) ***The market continues to develop in relation to Notes that reference SONIA***

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets. In particular, market participants and relevant working groups are still exploring alternative reference rates based on SONIA, including various ways of producing term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term, as it is an overnight rate).

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Notes that reference a SONIA rate issued under this Programme. The Issuers may in the future also issue Notes referencing SONIA or SONIA Compounded Index that differ materially in terms of interest determination when compared with any previous SONIA or SONIA Compounded Index-referenced Notes issued by the Issuers under this Programme. The development of Compounded Daily SONIA and SONIA Compounded Index as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under this Programme from time to time.

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

The use of SONIA as a reference rate for Eurobonds is nascent, and may be subject to change and development in terms of the methodology used to calculate SONIA, the development of rates based on SONIA and the development and adoption of market infrastructure for the issuance and trading of bonds referencing SONIA. In particular, investors should be aware that several different methodologies have been used in notes linked to SONIA issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, the methodology for determining SONIA or SONIA Compounded Index used to determine the Rate of Interest in respect of certain Notes could change during the life of such Notes see "*The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA*" below.

Since SONIA and SONIA Compounded Index are relatively new market indices, Notes linked to SONIA or SONIA Compounded Index may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing SONIA or SONIA Compounded Index, such as the spread over the relevant index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA or SONIA Compounded Index does not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SONIA or SONIA Compounded Index, as the case may be, may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that



have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to any Notes.

Certain administrators of risk-free rates, such as SONIA, have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of any risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA or SONIA Compounded Index.

(i) ***Risk-free rates, such as Compounded Daily SONIA and SONIA Compounded Index, differ from interbank offered rates in a number of material respects***

Compounded Daily SONIA and SONIA Compounded Index are risk-free rates. Risk-free rates differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking, compounded, risk-free, overnight rates, whereas interbank offered rates are generally expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that SONIA and SONIA Compounded Index as risk-free rates may behave materially differently than interbank offered rates as interest reference rates for the Notes.

Publication of SONIA and SONIA Compounded Index began in April 2018 and August 2020 respectively. These indices therefore have limited history. For that reason, future performance of SONIA and SONIA Compounded Index may be difficult to predict based on the limited historical performance. The level of SONIA or SONIA Compounded Index during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA or SONIA Compounded Index such as correlations, may change in the future.

Furthermore, interest on Notes which reference SONIA or SONIA Compounded Index is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference SONIA or SONIA Compounded Index to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to interbank offered rate-based Notes, if Notes referencing SONIA or SONIA Compounded Index become due and payable under Condition 13 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

(j) ***The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA***

The Bank of England, as the administrator of SONIA and SONIA Compounded Index may make methodological or other changes that could change the value of SONIA or SONIA Compounded Index, including changes related to the method by which SONIA or SONIA Compounded Index is calculated, eligibility criteria applicable to the transactions used to calculate SONIA or SONIA Compounded Index, or timing related to the publication of SONIA or SONIA Compounded Index. In addition, the Bank of England may alter, discontinue or suspend calculation or dissemination of SONIA or SONIA Compounded Index, in which case a fallback method of determining the interest rate on the Notes will apply in accordance with

the Conditions (see "*Risks relating to Notes which are linked to benchmarks*"). The Bank of England has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA or SONIA Compounded Index.

(k) ***Market disruption***

In certain situations, interest is determined by reference to market information sources. Such market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by, amongst other things, physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

In respect of a Floating Rate Note where the Rate of Interest is to be determined by reference to EURIBOR and/or the CMS Rate, if EURIBOR and/or the CMS Rate (each as defined in the Conditions) does not appear on the relevant screen page or if the relevant screen page is not available for any reason, the Calculation Agent will request each of the Reference Banks, appointed by the relevant Issuer, to provide the Calculation Agent with its offered quotation to leading banks for the relevant reference rate for the purposes of determining the applicable Rate of Interest. However, there can be no assurance that the Issuer will be able to appoint one or more Reference Banks to provide offered quotations and no Reference Banks have been appointed at the date of this Base Prospectus. Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) sets out fallback provisions if fewer than the requisite number of Reference Banks are appointed.

In respect of a Floating Rate Note where the Rate of Interest is to be determined by reference to SONIA, if SONIA does not appear on the relevant screen page or if the relevant screen page is not available for any reason, the Calculation Agent shall calculate a SONIA rate by reference to existing guidance published by the Bank of England for calculating SONIA in such circumstances or, if no such guidance exists, to the Bank of England's Bank Rate and the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA rate has been published. Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) sets out fallback provisions if the rate of interest cannot be determined in accordance with the foregoing sentence.

(l) ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its other Notes.

(m) ***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase, this may adversely affect the value of the Fixed Rate Notes.

- (n) ***The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes***

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate or Benchmark Gilt Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate**"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods, which would result in the amount of any interest payments under such Reset Notes being lower than the interest payments prior to such First Reset Date or each Subsequent Reset Date (if any) and so and could affect the market value of an investment in such Reset Notes.

- (o) ***Notes where denominations involve integral multiples***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Holder who (as a result of trading such amounts) holds an amount which is less than the minimum Specified Denomination in this 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 Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in this account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that this holding amounts to a Specified Denomination.

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

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

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

- (a) ***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 relevant Resolution Authority to implement various resolution measures and stabilisation actions (including but not limited to the bail-in tool). It 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 relevant UK 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.

(b) ***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 relevant Issuer, and Holders may not be able to anticipate the exercise of any resolution power (including the bail-in tool) by the relevant UK 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).

(c) ***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 relevant UK resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the relevant Issuer and/or other members of the Group and in deciding whether to exercise a resolution power.

The relevant UK 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 relevant 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 relevant UK 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.

(d) ***The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant 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 relevant UK 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 relevant 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 relevant 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 relevant 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 relevant 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.

(e) ***Mandatory write-down and conversion of capital instruments may affect the Tier 2 Capital Notes***

In addition, the Banking Act requires the relevant UK resolution authority to permanently write-down, or convert into equity, tier 1 capital instruments, tier 2 capital instruments (such as the Tier 2 Capital Notes) and 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 Tier 2 Capital 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 Tier 2 Capital Notes) in circumstances where resolution powers are not also exercised.

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 Tier 2 Capital Notes, the price or value of their investment in such Notes and/or the ability of the relevant Issuer to satisfy its obligations under such Notes.

See "*The Company is a holding company*" for a description of the rights of the Company 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.

(f) ***Holders agree to be bound by the exercise of any UK Bail-in Power by the relevant UK resolution authority***

In recognition of the resolution powers granted by law to the relevant UK resolution authority, by acquiring any Series of Notes, each Holder acknowledges and accepts that the Amounts Due (as defined in the Conditions) arising under the Notes may be subject to the exercise of the UK Bail-in Power (as defined in the Conditions) and acknowledges, accepts, consents and agrees to be bound by the effect of the exercise of any UK Bail-in Power by the relevant UK resolution authority, that may result in (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due on the Notes into shares or other securities or other obligations of the relevant 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 or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period. Each 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 relevant UK 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 Noteholders. In addition, under the Conditions, the exercise of the UK Bail-in Power by the relevant UK resolution authority with respect to the Notes is not an event of default. 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.

(g) ***The Resolvability Assessment Framework could impact market perceptions of the Issuers and/or the Group and in turn affect the value of the Notes***

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 have published final rules for a resolvability assessment framework (the "**Resolvability Assessment Framework**"), with full implementation of the framework required by 2022, which requires 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 BoE's intention is to make a public statement concerning the resolvability of each firm in scope of the Resolvability Assessment Framework. In so doing, the BoE would identify any shortcomings where it believes there is more work to do. The new rules on the Resolvability Assessment Framework and/or the BoE's public statement may affect the way in which an Issuer and/or the Group is perceived by the market which in turn may affect the value of the Notes.

(h) ***There is no restriction on the amount or type of further securities or indebtedness that the relevant Issuer or its subsidiaries may issue, incur or guarantee***

Subject to complying with applicable regulatory requirements in respect of the Group's leverage and capital ratios, there is no restriction on the amount or type of further securities or indebtedness that the relevant Issuer or its subsidiaries may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by Holders on a liquidation or winding-up of the relevant Issuer and may limit such Issuer's ability to meet its obligations under the Notes. In addition, the Notes do not contain any restriction on the relevant Issuer issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described herein.

(i) ***Changes in law may adversely affect the rights of Holders***

Changes in law after the date hereof 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 relevant 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 relevant 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, a Regulatory Event or a Loss Absorption Disqualification Event would entitle the Issuers, at its

option (subject to, amongst other things, receipt of the prior consent of the Relevant Authority (if such consent is then required by the Capital Regulations)), to redeem the Notes, in whole but not in part, as provided under Condition 9(c) (*Redemption for Tax Event*), 9(d) (*Redemption for Regulatory Event*) or 9(e) (*Redemption for Loss Absorption Disqualification Event*), 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 Issuers', 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 Noteholders, which could be material to the rights of Noteholders and/or the ability of the relevant Issuer to satisfy its obligations under such Notes.

- (j) ***A downgrade of the credit rating assigned by any credit rating agency to the Issuer or, if applicable, 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***

Tranches of Notes issued under the Programme may 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 Issuers are under no obligation to ensure that any Notes issued by them under the Programme 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 relevant Issuer and/or, if applicable, 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 relevant Issuer's strategy and management's capability; the relevant 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 relevant 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 an 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 an issuer and/or its securities. Revisions to ratings methodologies and actions on the Company's or the Bank's ratings by the credit rating agencies may occur in the future.

If the relevant 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 relevant 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 relevant Issuer or, if applicable, 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 relevant 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).

Furthermore, as a result of the EU CRA Regulation, 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, European regulated investors may no longer be able to use the rating for regulatory purposes. Similarly and as a result of the UK CRA Regulation, 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 UK CRA Regulation, UK regulated investors may no longer be able to use a 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.

(k) ***Investors to rely on the procedures of Euroclear, Clearstream, Luxembourg and DTC for transfer, payment and communication with the Issuers***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates which may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with DTC (each of Euroclear, Clearstream, Luxembourg and DTC, a "**Clearing System**"). If the Global Notes are NGN or if the Unrestricted Global Certificates are to be held under the NSS, they will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg and, in the case of Restricted Global Certificates will be deposited with a custodian for and registered in the name of a nominee of DTC. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Notes or, as the case may be, Global Certificates. While the Notes are represented by one or more Global Notes, or as the case may be, Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System or, in the case of Restricted Global Certificates, DTC.

While the Notes are represented by one or more Global Notes or, as the case may be, Global Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depository or, for Global Notes that are NGN and Global Certificates to be held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg or, as appropriate, the Custodian for DTC. A holder of a beneficial interest in a Global Note or Unrestricted Global Certificate must rely on the procedures of the relevant Clearing System or, in the case of Restricted Global Certificates, DTC, to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Restricted Global Certificates.

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



(l) **Modification, waivers and substitution**

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

The Conditions also provide that the Trustee may, subject to certain exceptions and Condition 17(d) (*Relevant Authority Notice or Consent*) in the case of modifications or waivers without the consent of the Noteholders, agree to (A) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Notes or the Trust Deed which, in each case, in the opinion of the Trustee is not materially prejudicial to the interest of the Noteholders 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; (B) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the relevant Noteholders will not be materially prejudiced thereby; or (C) the substitution of any Subsidiary of the Company, or in the case of the Bank, of any other Subsidiary of the Bank as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 17 (*Meetings of Noteholders; Modification and Waiver; Substitution*) (except that the provisions relating to the Tier 2 Capital Notes shall only be capable of modification, waiver or substitution if such modification, waiver or substitution is in accordance with all other rules and requirements of the Relevant Authority applicable from time to time).

In addition, pursuant to Condition 6(h) (*Benchmark Replacement*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes or Reset Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Trustee or the Noteholders.

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

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

(a) ***There may not be any active trading market for the Notes***

The Notes issued under the Programme will be a new issue of Notes which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer. Although application has been made for Notes issued under the Programme to be admitted to trading on the Main Market and/or the ISM of the London Stock Exchange, if so specified in the relevant Final Terms, there can be 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 a particular Tranche of Notes are made to a limited number of investors.

(b) ***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 Issuers 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 relevant 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.

(c) ***Exchange rate risks and exchange controls***

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

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with Part A of the relevant Final Terms or, in the case of Exempt Notes, as supplemented, amended and/or replaced by the relevant Pricing Supplement, shall be applicable to Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or the Pricing Supplement, as applicable, or (ii) these terms and conditions as so completed (or so supplemented, amended and/or replaced, as the case may be) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in the terms and conditions will have the meanings given to them in Part A of the relevant Final Terms or in the relevant Pricing Supplement, as applicable. Those definitions will be endorsed on Notes in definitive form or Certificates (as the case may be). The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Forms of the Notes — Summary of Provisions relating to the Notes while in Global Form" below. The wording appearing in italics below is included for disclosure purposes only and does not form part of the terms and conditions of the Notes.*

This Note is one of a series (each a "**Series**") issued pursuant to the £10,000,000,000 Global Medium Term Note Programme (the "**Programme**") established by Virgin Money UK PLC (an "**Issuer**" or the "**Company**"), on 25 May 2017. Clydesdale Bank PLC (an "**Issuer**" or the "**Bank**") and together with the Company, the "**Issuers**") was added as an issuer under the Programme on 1 July 2019. This Note is constituted by a Trust Deed dated 24 March 2021 (as amended, restated, modified and/or supplemented as at the Issue Date (as defined below) of the first Tranche (as defined below) of the Notes of the relevant Series, the "**Trust Deed**") between the Company, the Bank and Citicorp Trustee Company Limited (the "**Trustee**" which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 24 March 2021 (as amended, restated, modified and/or supplemented as at the Issue Date of the first Tranche of Notes of the relevant Series, the "**Agency Agreement**") made between, *inter alios*, the Company, the Bank, the Trustee, Citibank, N.A., London Branch as initial principal paying agent and the other agents named therein. The principal paying agent, the paying agents, the registrar, the transfer agents and the calculation agent for the time being (if any) are referred to below, respectively, as the "**Principal Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent**". The Trustee shall exercise the duties, powers, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge during normal business hours at the office for the time being of the Principal Paying Agent (being as at 24 March 2021, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom). References in these Conditions to the "**Issuer**" are to the entity named as such in the applicable Final Terms or Pricing Supplement, as applicable.

Holders of Notes and, in relation to any Series of Bearer Notes, any coupons ("**Coupons**") or talons for further Coupons ("**Talons**") appertaining thereto are entitled to the benefit of, are bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

The term "**Notes**" means debt instruments, by whatever name called, issued under the Programme. The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms or Pricing Supplement, as applicable. Notes issued under the Programme are issued in Series and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche, for which a prospectus is required in connection with such issue in accordance with Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation**"), is the subject of the relevant final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). Each Tranche, for which no prospectus is required in connection with such issue in accordance with the UK

Prospectus Regulation ("**Exempt Notes**"), is the subject of a pricing supplement (the "**Pricing Supplement**"), which supplements, amends and/or replaces these Conditions. The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms or, as supplemented, amended and/or replaced by the relevant Pricing Supplement, as the case may be. In the event of any inconsistency between these Conditions and the relevant Final Terms or Pricing Supplement (as applicable), the relevant Final Terms or Pricing Supplement (as applicable) shall prevail. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions.

## 1. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Authorised Signatories**" has the meaning given in the Trust Deed;

"**Benchmark Gilt**" means, in respect of a Reset Period, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, following consultation with the Issuers and with the advice of the Reference Banks, may determine to be appropriate;

"**Benchmark Gilt Rate**" means, in respect of a Reset Period and subject to Condition 5(e) (*Fallback – Benchmark Gilt Rate*), the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If four quotations are provided, the Benchmark Gilt Rate will be the rounded 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 Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided;

"**Broken Amount**" means, in respect of any Notes, the amount (if any) that is specified in the relevant Final Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments

generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Capital Regulations"** means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity for credit institutions of either (A) the Competent Authority and/or (B) any other national or European authority, in each case then in effect in the United Kingdom (or in such other jurisdiction in which the Issuer may be organised or domiciled) and applicable to the Group, including UK CRD;

**"CMS Rate"** means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at (A) the Determination Time specified in the relevant Final Terms or (B) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant

Financial Centre time) on the Interest Determination Date in question, all as determined by the Calculation Agent;

**"CMS Rate Fixing Day"** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in each CMS Rate Fixing Centre specified in the relevant Final Terms;

**"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;

**"Compliant Notes"** means, in relation to any Existing Notes, securities:

- (a) that are issued directly by the relevant Issuer;
- (b) that have a ranking at least equal to the Existing Notes;
- (c) that are listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007 (as the same may be amended, supplemented or replaced from time to time) and/or are admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, in each case to the extent, and on the same such other listing authority, stock exchange and/or quotation system, that the Existing Notes were so listed or admitted to listing, trading, and/or quotation (as the case may be) immediately prior to such substitution or variation; and
- (d) where the Existing Notes had a published solicited rating from one or more rating agencies immediately prior to their substitution or variation, to which each such rating agency has assigned, or informed the relevant Issuer by an announcement or otherwise of its intention to assign, an equal or higher published solicited rating,

**provided that** such securities:

- (i) contain terms that comply with the Capital Regulations in relation to Tier 2 Capital, in the case of any Existing Notes that are Tier 2 Capital Notes, or in relation to eligible liabilities instruments, in the case of any Existing Notes that are Senior Notes (in each case meaning instruments that qualify as such for the purposes of the Capital Regulations);
- (ii) include terms which provide for the same Rate of Interest, Interest Payment Dates, Maturity Date and amounts payable on redemption as apply from time to time to the Existing Notes immediately prior to such substitution or variation;
- (iii) shall preserve any existing rights under the Conditions to any accrued interest, principal and/or premium which have not been satisfied;
- (iv) do not contain terms providing for the mandatory or voluntary deferral of payments of principal and/or interest; and
- (v) have terms not materially less favourable to Noteholders than the terms of the Existing Notes (as reasonably determined by the relevant Issuer in consultation with an Independent Adviser, and provided that a certification to such effect of two Authorised

Signatories of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities);

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Couponholders"** means the holders of the Coupons (whether or not attached to the relevant Notes);

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if "30E/360" or "Eurobond Basis" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (g) if "30E/360 (ISDA)" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;



"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31, in which case D<sub>2</sub> will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from (and including) the first day of the Calculation Period to (but excluding) the last day of the Calculation Period;

"**dealing day**" means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

"**Designated Maturity**" shall have the meaning specified in the relevant Final Terms;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"**EU CRD**" means:

- (a) 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
- (b) 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;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (as at the date of the Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Existing Notes**" has the meaning given to it in Condition 9(m) (*Substitution or Variation*);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

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

**"First Reset Date"** means the date specified in the relevant Final Terms;

**"First Reset Period"** means the period from (and including) the First Reset Date until (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date;

**"First Reset Rate of Interest"** means, in respect of the First Reset Period and subject to Conditions 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Fixed Rate Note"** means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the relevant Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

**"Floating Rate Note"** means a Note on which interest is calculated at a floating rate payable at intervals of one, two, three, six or 12 months or at such other intervals as may be agreed between the relevant Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

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

**"Holder"**, in the case of Bearer Notes, has the meaning given in Condition 2(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(d) (*Title to Registered Notes*);

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

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** shall mean:

- (a) if the Reference Rate is not CMS Rate, the date specified as such in the relevant Final Terms, or if none is so specified, if the Reference Rate is EURIBOR, the second day on which TARGET2 is open prior to the start of each Interest Period; or
- (b) if the Reference Rate is CMS Rate, the date specified as such in the relevant Final Terms, provided that if any day specified as an Interest Determination Date in the relevant Final Terms is not a CMS Rate Fixing Day, the relevant Interest Determination Date shall be the immediately preceding CMS Rate Fixing Day;

**"Interest Payment Date"** means the First Interest Payment Date and any date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the first Interest Payment Date or next Interest Payment Date (as the case may be);

**"ISDA Benchmarks Supplement"** means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc.;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as supplemented, amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Series (as specified in the relevant Final Terms) and if specified in the relevant Final Terms as supplemented by any supplement to the ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") including, if specified in the relevant Final Terms, the ISDA Benchmarks Supplement);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Junior Securities"** has the meaning given in Condition 3(b)(ii) (*Tier 2 Capital Notes*);

a "**Loss Absorption Disqualification Event**" shall be deemed to occur if as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the Issue Date of the last Tranche of Notes of the relevant Series, the Notes are or (in the opinion of the Company or the Relevant Authority) are likely to be fully or (if so specified in the relevant Final Terms) partially excluded from the Company's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Company and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Company and/or the Group on the Issue Date of the last Tranche of Notes of the relevant Series;

**"Loss Absorption Regulations"** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom, the Competent Authority, the Resolution Authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom and applicable to the Company and/or the Group including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to

minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Competent Authority and/or the Resolution Authority from time to time (whether or not such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Company or to the Group);

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Rate of Interest"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Mid-Market Swap Rate"** means, for any Reset Period, the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (A) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (B) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (C) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent);

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

**"Mid-Swap Floating Leg Benchmark Rate"** means EURIBOR if the Specified Currency is euro or SONIA if the Specified Currency is pounds sterling or if the Specified Currency is not euro or pounds sterling, the Reference Rate as specified in the relevant Final Terms;

**"Mid-Swap Maturity"** has the meaning given in the relevant Final Terms;

**"Mid-Swap Rate"** means, in relation to a Reset Determination Date and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*), either:

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

in either case, as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**"Minimum Rate of Interest"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Noteholder"**, in the case of Bearer Notes, has the meaning given in Condition 2(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(d) (*Title to Registered Notes*);

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Loss Absorption Disqualification Event)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Regulatory Event)"** means, in respect of any Tier 2 Capital Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Order"** means the Banks and Building Societies (Priorities on Insolvency) Order 2018, as may be amended or replaced from time to time;

**"Parity Securities"** has the meaning given in Condition 3(b)(i) (*Tier 2 Capital Notes*);

**"Payment Business Day"** means:

- (a) if the currency of payment is euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (b) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and

for dealings in foreign currencies or (b) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and

- (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (b) in relation to Australian dollars, it means Sydney; and
- (c) in relation to New Zealand Dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means (A) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms; and (B) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Termination Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Loss Absorption Disqualification Event), the Optional Redemption Amount (Put), the Optional Redemption Amount (Regulatory Event) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

**"Reference Banks"** (A) in the case of Notes other than Reset Notes and Floating Rate Notes where the Reference Rate is CMS Rate, has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate; (B) in the case of Floating Rate Notes where the Reference Rate is CMS Rate, (1) where the Reference Currency is euro, the principal office of four leading swap dealers in the Eurozone inter-bank market, (2) where the Reference Currency is pounds sterling, the principal London office of four leading swap dealers in the London inter-bank market, (3) where the Reference Currency is U.S. dollars, the principal New York City office of four leading swap dealers in the New York City inter-bank market, or (4) in the case of any other Reference Currency, the principal Relevant Financial Centre office of four leading swap dealers in the Relevant Financial

Centre inter- bank market, in each case as selected by the Issuer; and (C) in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none (1) in the case of the calculation of a Mid-Market Swap Rate, four major banks in the swap, money, securities or other market most closely connected with the relevant Mid- Swap Rate as selected by the Issuer on the advice of an investment bank of international repute or (2) in the case of the calculation of a Benchmark Gilt Rate, four brokers of gilts and/or gilt-edged market makers as selected by the Issuer on the advice of an investment bank of international repute;

**"Reference Currency"** has the meaning given in the relevant Final Terms;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** shall mean (A) EURIBOR or (B) SONIA, in each case for the relevant currency and for the relevant period as specified in the relevant Final Terms;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) one Interest Payment Date to (but excluding) the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

a **"Regulatory Event"** shall be deemed to occur if there is a change in the regulatory classification of the Tier 2 Capital Notes that becomes effective on or after the Issue Date of the last Tranche of the Tier 2 Capital Notes that results, or would be likely to result, in the whole or any part of the outstanding principal amount of the Tier 2 Capital Notes at any time being excluded from the Tier 2 Capital of the Group;

**"Relevant Authority"** means the Resolution Authority, in the case of the Senior Notes, or the Competent Authority, in the case of the Tier 2 Capital Notes.

**"Relevant Date"** means, in relation to any payment, whichever is the later of (A) the date on which the payment in question first becomes due and (B) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying 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 Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"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 relevant Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest on the Notes;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (or any successor or replacement page, section or other part of a particular information service, including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Swap Rate"** means:

- (a) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUREURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (b) where the Reference Currency is pounds sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating pounds sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (1) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (c) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (d) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market at the relevant time;



**"Reserved Matters"** has the meaning given in the Trust Deed;

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

**"Reset Determination Date"** means, unless otherwise specified in the relevant Final Terms, the second Business Day prior to each relevant Reset Date;

**"Reset Note"** means a Note which bears interest at a rate of interest which is recalculated at specified intervals;

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

**"Reset Rate"** means (A) if **"Mid-Swap Rate"** is specified in the relevant Final Terms, the relevant Mid-Swap Rate or (B) if **"Benchmark Gilt Rate"** is specified in the relevant Final Terms, the relevant Benchmark Gilt Rate;

**"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;

**"SONIA"** shall have the meaning given to such term in Condition 6(e) (*Screen Rate Determination for Floating Rate Notes which reference SONIA*);

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Subsequent Margin"** means the margin(s) specified as such in the relevant Final Terms;

**"Subsequent Reset Date"** means the date or dates specified in the relevant Final Terms;

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

**"Subsequent Reset Rate of Interest"** means, in respect of any Subsequent Reset Period and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin;

**"Subsidiary"** means each subsidiary undertaking (as defined under Section 1159 of the Companies Act 2006) for the time being of the Issuer;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Tax Event"** has the meaning given in Condition 9(c) (*Redemption for Tax Event*);

**"Tier 1 Capital"** means Tier 1 Capital for the purposes of the Capital Regulations;

**"Tier 2 Capital"** means Tier 2 Capital for the purposes of the Capital Regulations;

**"UK CRD"** means the legislative package consisting of:

- (A) the UK CRD Regulation;
- (B) the law of the UK or any part of it, which immediately before IP completion day (as defined in the Withdrawal Act) 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures; and
- (C) direct EU legislation (as defined in the Withdrawal Act), which immediately before IP completion day (as defined in the Withdrawal Act) 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;

**"Winding-Up"** means if:

- (a) 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 Noteholders and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);
- (b) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or
- (c) liquidation or dissolution of the Issuer or any procedure similar to that described in (a) or (b) above is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009;

**"Winding-Up Event"** means with respect to the Notes, 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 these Conditions); or (2) following the appointment of an

administrator of the Issuer, the 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;

"**Withdrawal Act**" means the European Union (Withdrawal Act) 2018; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) **Interpretation:** In these Conditions:

- (i) in the case of Exempt Notes, each reference to "Final Terms" or to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to the "Pricing Supplement" or to such information being specified or identified in the relevant Pricing Supplement, unless the context requires otherwise;
- (ii) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (iii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iv) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (v) any reference to principal shall be deemed to include the Redemption Amount, (in the case of Senior Notes only) any Additional Amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (vi) any reference to interest shall be deemed to include any Additional Amounts which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vii) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (viii) if an expression is stated in Condition 1(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "Not Applicable" then such expression is not applicable to the Notes; and
- (ix) any reference in these Conditions to any legislation (whether primary legislation or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

## 2. **Form, Denomination, Title and Transfer**

- (a) **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

- (b) **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) **Title to Registered Notes:** The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.
- (f) **Transfers of Registered Notes:** Subject to Conditions 2(j) (*Closed periods*) and 2(k) (*Regulations concerning transfers and registration*), a Registered Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (h) **Registration and delivery of Certificates:** Within five business days of the surrender of a Certificate in accordance with Condition 2(f) (*Transfers of Registered Notes*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder)

by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(h) (*Registration and delivery of Certificates*), "**business day**" means a day on which commercial banks and foreign exchange markets settle payments generally in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (i) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (j) **Closed periods:** Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes or once notice of redemption of the Notes has been given in accordance with Condition 9 (*Redemption and Purchase; Substitution or Variation*).
- (k) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered 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 mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.
- (l) **No exchange:** Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

### 3. **Status**

The Notes are either senior Notes ("**Senior Notes**") or tier 2 capital Notes ("**Tier 2 Capital Notes**"), as specified in the relevant Final Terms.

#### (a) **Senior Notes**

The Senior Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer which rank *pari passu* without any preference among themselves and, in the event of a Winding-Up, will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law.

#### (b) **Tier 2 Capital Notes**

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct unsecured and subordinated obligations of the Issuer ranking *pari passu* without any preference among themselves.

On a Winding-Up, claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed) and the Holders of Tier 2 Capital Notes and any related Coupons against the Issuer in respect of or arising under the Tier 2 Capital Notes and any related Coupons (including any damages awarded for breach of any obligations in respect of the Tier 2 Capital Notes or any related Coupons) will be subordinated in the manner provided herein and in the Trust Deed to the claims of all Senior Creditors but shall rank:

- (i) at least *pari passu* with all claims of holders of all other subordinated obligations of the Issuer which constitute, and all claims relating to a

guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith ("**Parity Securities**"); and

- (ii) in priority to the claims of holders of:
  - (A) all obligations of the Issuer which rank or are expressed to rank, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which rank or are expressed to rank, junior to the claims in respect of the Tier 2 Capital Notes and any related Coupons, including (without limitation) obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and
  - (B) all classes of share capital of the Issuer(together, the "**Junior Securities**").

Nothing in this Condition 3(b) (*Tier 2 Capital Notes*) 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.

For the purposes of this Condition 3(b) (*Tier 2 Capital Notes*):

"**secondary non-preferential debts**" shall have the meaning given to it in the Order and any other law or regulation applicable to the Issuer which is amended by the Order, as each may be amended or replaced from time to time; and

"**Senior Creditors**" means creditors of the Issuer (A) who are unsubordinated creditors of the Issuer; and (B) who are subordinated creditors of the Issuer (whether only in the event of a winding-up of the Issuer or otherwise) other than (1) those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders and relevant Couponholders or (2) those whose claims are in respect of Parity Securities or Junior Securities or (3) who are creditors in respect of secondary non-preferential debts.

(c) **No set-off**

The provisions of this Condition 3(c) (*No set-off*) shall have effect in relation to (1) any Series of Senior Notes where the relevant Final Terms specify that this Condition 3(c) (*No set-off*) applies and (2) each Series of Tier 2 Capital Notes.

Subject to applicable law, no Holder may exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, any Notes or related Coupons and every Holder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim any of its claims in respect of any Notes or related Coupons, against or in respect of any of its obligations to the Issuer, the Trustee or any other person. Notwithstanding the preceding sentence, if any of the amounts due and payable to any Holder by the Issuer in respect of, arising under or in connection with the Notes or related Coupons is discharged by set-off, 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, administrator or, as appropriate, other insolvency official 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, administrator or, as appropriate, other insolvency official of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

#### 4. Fixed Rate Note Provisions

- (a) **Application:** This Condition 4 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (*Fixed Rate Note Provisions*) (as well after as before judgment) until (and including) whichever is the earlier of (1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (2) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

#### 5. Reset Note Provisions

- (a) **Application:** This Condition 5 (*Reset Note Provisions*) is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest:
  - (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
  - (ii) from (and including) the First Reset Date to (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Reset Note Provisions*) (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) **Rate of Interest:** The Rate of Interest applicable for each Reset Period shall be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined on each Reset Determination Date. The Interest Amount payable on the Notes shall be calculated in accordance with the provisions for calculating amounts of interest in Condition 4 (*Fixed Rate Note Provisions*) and, for such purposes, references in Condition 4 (*Fixed Rate Note Provisions*) to "**Fixed Rate Notes**" shall be deemed to be to "**Reset Notes**" and Condition 4 (*Fixed Rate Note Provisions*) shall be construed accordingly.
- (d) **Fallback – Mid-Swap Rate:** Where the Reset Rate is specified as "**Mid-Swap Rate**" in the relevant Final Terms and if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question.

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

If only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the Reset Period shall be the sum of such Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent. If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(d) (*Fallback – Mid-Swap Rate*) or, if the Calculation Agent does not at any time for any reason determine the Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

- (e) **Fallback – Benchmark Gilt Rate:** Where the Reset Rate is specified as "**Benchmark Gilt Rate**" in the relevant Final Terms and where no quotations with respect to the Benchmark Gilt are provided by the relevant Reference Banks, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding



Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (g) **Publication:** The Calculation Agent will cause each Rate of Interest determined by it and any other amount(s) required to be determined by it together with the relevant payment date(s), to be notified to the Issuer, the Paying Agents, the Trustee and each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but in (in the case of each Rate of Interest and Interest Payment Date) not later than the relevant Reset Date. Notice thereof shall also be given to the Noteholders in accordance with Condition 19 (*Notices*) as soon as possible after the determination or calculation thereof.
- (h) **Notifications etc.:** All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Reset Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 5 (*Reset Note Provisions*).

## 6. Floating Rate Note Provisions and Benchmark Replacement

- (a) **Application:** This Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and, in respect of Condition 6(h) (*Benchmark Replacement*) only, if the Floating Rate Note Provisions or the Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from (and including), the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) (as well after as before judgment) until (and including) whichever is the earlier of (1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (2) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and other than Floating Rate Notes which reference SONIA:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate specified

in the relevant Final Terms is not the CMS Reference Rate or SONIA, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 6(h) (*Benchmark Replacement*) and (i) (*Maximum or Minimum Rate of Interest*)) be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of sub-paragraph (i) above, such rate does not appear on that page or, in the case of sub-paragraph (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request each of the Reference Banks to provide to the Calculation Agent a quotation of the Reference Rate as at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case

may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **Screen Rate Determination – Floating Rate Notes which are CMS-Linked Notes:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is the CMS Reference Rate, the Rate of Interest applicable to the Notes for each Interest Period will be the CMS Rate plus or minus (as indicated in the relevant Final Terms) the Margin, as determined by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide it with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) as at approximately (1) the Determination Time specified in the relevant Final Terms or (2) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent such quotations as aforesaid, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date at the Determination Time or 11.00 a.m. (Relevant Financial Centre time) (as applicable) one only or none of the Reference Banks provides the Calculation Agent with such quotations as aforesaid, the CMS Rate shall be determined by the Issuer in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

- (e) **Screen Rate Determination for Floating Rate Notes which reference SONIA**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, SONIA Index Determination is specified in the relevant Final Terms as not applicable and the Reference Rate specified in the relevant Final Terms is SONIA, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 6(h) (*Benchmark Replacement*) and Condition (i) (*Maximum or Minimum Rate of Interest*) and subject as provided below) be Compounded Daily SONIA plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.

For the purposes of this Condition 6(e) (*Screen Rate Determination for Floating Rate Notes which reference SONIA*):

**"Compounded Daily SONIA"** means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent, as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

"**d**" means, for the relevant Interest Period, the number of calendar days in such Interest Period;

"**d<sub>o</sub>**" means, for the relevant Interest Period, the number of London Banking Days in such Interest Period;

"**i**" means, for the relevant Interest Period, a series of whole numbers from one to **d<sub>o</sub>**, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in such Interest Period to and including, the last London Banking Day in such Interest Period;

"**Interest Determination Date**" means the date specified as such in the relevant Final Terms;

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

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

"**Observation Period**" means, in respect of the relevant Interest Period, the period from, and including, the date falling "**p**" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "**p**" London Banking Days prior to the Interest Payment Date at the end of such Interest Period (or the date falling "**p**" London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" means, for any Interest Period, the number of London Banking Days by which the corresponding Observation Period precedes such Interest Period, as specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days);

"**SONIA**" means the Sterling Overnight Index Average; and

"**SONIA<sub>i-pLBD</sub>**" means, in respect of any London Banking Day "**i**", the SONIA reference rate for the London Banking Day falling "**p**" London Banking Days prior to such London Banking Day "**i**".

If, subject to Condition 6(h) (*Benchmark Replacement*), in respect of any London Banking Day in the relevant Observation Period, the Calculation Agent determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (London time) (or, if earlier close of business) on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

Notwithstanding the paragraph above, and without prejudice to Condition 6(h) (*Benchmark Replacement*), in the event of the Bank of England publishing guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent shall, in consultation with the

Issuer, follow such guidance in order to determine the SONIA rate, for purposes of the Notes, for so long as the SONIA rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent, subject to Condition 6(h) (*Benchmark Replacement*), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

- (f) **SONIA Index Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and SONIA Index Determination is specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 6(h) (*Benchmark Replacement*) and Condition (i) (*Maximum or Minimum Rate of Interest*)) be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula and to the Relevant Decimal Place plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined and calculated by the Calculation Agent on the relevant Interest Determination Date:

$$\left( \frac{\text{SONIA Compounded Index End}}{\text{SONIA Compounded Index Start}} - 1 \right) \times \frac{\text{Numerator}}{d}$$

where:

"**d**" is the number of calendar days from (and including) the day on which the relevant SONIA Compounded Index Start is determined to (but excluding) the day on which the relevant SONIA Compounded Index End is determined;

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

"**Numerator**" shall, unless otherwise specified in the relevant Final Terms, be 365;

"**Relevant Decimal Place**" shall, unless otherwise specified in the relevant Final Terms, be the fifth decimal place, rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

"**Relevant Number**" shall, unless otherwise specified in the relevant Final Terms, be five;

"**SONIA Compounded Index**" means the compounded daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source;

**"SONIA Compounded Index End"** means the SONIA Compounded Index value on the day falling the Relevant Number of London Banking Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from such Interest Period); and

**"SONIA Compounded Index Start"** means the SONIA Compounded Index value on the day falling the Relevant Number of London Banking Days prior to the first day of the relevant Interest Period.

Provided that a Benchmark Event has not occurred in respect of SONIA, if, with respect to any Interest Period, the relevant SONIA Compounded Index Start and/or SONIA Compounded Index End is not published by the administrator, the Calculation Agent shall calculate the Rate of Interest for that Interest Period in accordance with Condition 6(e) (*Floating Rate Note Provisions and Benchmark Replacement – Screen Rate Determination for Floating Rate Notes which reference SONIA*) as if SONIA Index Determination was not specified in the relevant Final Terms as being applicable. For these purposes, (i) the Reference Rate shall be deemed to be SONIA, (ii) the Interest Determination Date shall be the Relevant Number of Business Days prior to the relevant Interest Payment Date (or immediately preceding such earlier date, if any, on which the Notes are due and payable), (iii) "p" shall be the Relevant Number and (iv) the Relevant Screen Page will be determined by the Issuer in consultation with the Calculation Agent.

If a Benchmark Event has occurred in respect of SONIA, the provisions of Condition 6(h) (*Floating Rate Note Provisions and Benchmark Replacement - Benchmark Replacement*) shall apply mutatis mutandis in respect of this Condition 6(f).

- (g) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where **"ISDA Rate"** in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity is a period specified in the relevant Final Terms;
  - (iii) the relevant Reset Date is as specified in the relevant Final Terms; and
  - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
    - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
    - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The expressions "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" in this Condition 6(g) (*ISDA Determination*) have the respective meanings given to them in the ISDA Definitions.

- (h) **Benchmark Replacement:** In addition, notwithstanding the provisions above in this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) or Condition 5 (*Reset Note Provisions*), if the Issuer determines that a Benchmark Event has occurred or there is a Successor Rate, in either case when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate or Mid-Swap Floating Leg Benchmark Rate, then the Issuer may elect (acting in good faith and in a commercially reasonable manner) to apply the following provisions:
- (i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than 5 Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable) (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if the Independent Adviser determines that there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
  - (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if the Issuer determines that there is no Successor Rate, an Alternative Reference Rate;
  - (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be used in place of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(h) (*Benchmark Replacement*)); *provided, however*, that if sub-paragraph (ii) above applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date or Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or Reset Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period or Reset Period (as applicable) (or alternatively, if there has not been a first Interest Payment Date or Reset Date (as applicable), the rate of interest shall be the Initial Interest Rate) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period or Reset Period (as applicable) for the Margin that is to be applied to the relevant Interest Period or Reset Period (as applicable)); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant

Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(h) (*Benchmark Replacement*);

- (iv) if the Independent Adviser (in consultation with the Issuer) or (if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine whether an Adjustment Spread should be applied) the Issuer (acting in good faith and in a commercially reasonable manner) determines that an Adjustment Spread should be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Rate or Alternative Reference Rate (as applicable); *provided, however*, that if the Independent Adviser or the Issuer (as applicable) is unable to determine, prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable), the quantum of, or a formula or methodology for determining such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread; for the avoidance of doubt, the proviso in this subparagraph (iv) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(h) (*Benchmark Replacement*);
- (v) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in each case, any Adjustment Spread in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, Reset Determination Date, Reset Determination Time and/or the definition of Reference Rate or Mid-Swap Floating Leg Benchmark Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate, the Alternative Reference Rate (as applicable) and/or the Adjustment Spread. For the avoidance of doubt, the Trustee and Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(h) (*Benchmark Replacement*). Noteholder consent shall not be required in connection with implementing the Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread or such other changes, including for the execution of any documents, amendments or other steps by the Trustee or Principal Paying Agent (if required); and
- (vi) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread, give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread and any consequential changes made to these Conditions,

*provided that* the determination of any Successor Rate or Alternative Reference Rate or Adjustment Spread, and any other related changes to the Notes, shall be made in accordance with the relevant Capital Regulations (if applicable) and shall



not prejudice qualification of (i) if applicable, the Senior Notes as eligible liabilities or (ii) the Tier 2 Capital Notes as Tier 2 Capital, in each case for the purposes of the Capital Regulations.

For the purposes of this Condition 6(h) (*Benchmark Replacement*):

**"Adjustment Spread"** means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is recommended in relation to the replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Issuer following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);
- (iv) if no such industry standard is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**"Alternative Reference Rate"** means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period or Reset Period (as applicable), or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable);

**"Benchmark Event"** means:

- (i) the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) has ceased to be published on the Relevant Screen Page

as a result of such benchmark ceasing to be calculated or administered;  
or

- (ii) a public statement by the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that it has ceased, or will cease, publishing such Mid-Swap Floating Leg Benchmark Rate or Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable)); or
- (iii) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that such Mid-Swap Floating Leg Benchmark Rate or Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) as a consequence of which such Mid-Swap Floating Leg Benchmark Rate or Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences either generally, or in respect of the Notes; or
- (v) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that, in the view of such supervisor, such Mid-Swap Floating Leg Benchmark Rate or Reference Rate is no longer representative of an underlying market; or
- (vi) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) (including, without limitation, under the Benchmark Regulation (EU) 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act, if applicable);

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

**"Relevant Nominating Body"** means, in respect of a reference rate or mid-swap floating leg benchmark rate:

- (i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, or any other central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, (b) any other central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate, (c) a group of the aforementioned central banks or other supervisory authorities, (d) the International Swaps and Derivatives Association, Inc. or any part thereof, or (e) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) (for the avoidance of doubt, whether or not such Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) has ceased to be available) which is formally recommended by any Relevant Nominating Body.

- (i) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (j) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (k) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, the Trustee and each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also be given to the Noteholders in accordance with Condition 19 (*Notices*) as soon as possible after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (l) **Notifications etc.:** All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*).

7. **Zero Coupon Note Provisions**

- (a) **Application:** This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Fixed/Floating Rate Notes**

- (a) **Application:** This Condition 8 (*Fixed/Floating Rate Notes*) is applicable to the Notes only if the Fixed Rate Note Provisions and the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Fixed/Floating Rate:** The Issuer may issue Notes (1) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (2) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms.

9. **Redemption and Purchase; Substitution or Variation**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable).
- (b) **Redemption at the option of the Issuer:** Subject to Condition 9(l) (*Restriction on Early Redemption or Repurchase of the Notes*), if the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19 (*Notices*) and to the Trustee, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the applicable amount specified in the relevant Final Terms (together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date (Call)) at the Optional Redemption Amount (Call).
- (c) **Redemption for Tax Event:** Subject to Condition 9(l) (*Restriction on Early Redemption or Repurchase of the Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time at their Early Redemption Amount (Tax), together with any accrued but unpaid interest to the date fixed for redemption, provided that:

- (i) the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Noteholders in accordance with Condition 19 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption; and
- (ii) immediately before giving such notice, the Issuer has determined that 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 any change in the official application of those laws or regulations which change or amendment becomes effective on or after the Issue Date of the last Tranche of Notes of the relevant Series, including a decision of any court or tribunal which becomes effective on or after the Issue Date of the last Tranche of Notes of the relevant Series:
  - (A) the Issuer has paid, or will or would on the next Interest Payment Date be required to pay, Additional Amounts as provided or referred to in Condition 12 (*Taxation*);
  - (B) 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;
  - (C) the Issuer is not, or would not be, as a result of the Notes being in issue, 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);
  - (D) 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 or conversion of the Notes into shares, or both as a result of the exercise of any regulatory powers (including, under the Banking Act 2009);
  - (E) in the case of Tier 2 Capital Notes, the Issuer would, in the future, have to bring into account a taxable credit if the principal amount of the Notes were written down or converted; or
  - (F) in the case of Tier 2 Capital Notes, the Issuer will have to treat the Notes of such Series or any part thereof as a derivative or an embedded derivative for United Kingdom tax purposes,
 (each a "**Tax Event**").

Prior to giving notice of redemption in accordance with this Condition 9(c) (*Redemption for Tax Event*), 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 9(c) (*Redemption for Tax Event*) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Noteholders and all other interested parties as correct, conclusive, binding and sufficient evidence thereof.

Upon the expiry of any such notice as is referred to in this Condition 9(c) (*Redemption for Tax Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(c) (*Redemption for Tax Event*).

- (d) **Redemption for Regulatory Event:** In the case of any Series of Tier 2 Capital Notes only and subject to Condition 9(l) (*Restriction on Early Redemption or Repurchase of the Notes*), if a Regulatory Event has occurred, the Issuer may, at its option, redeem the Tier 2 Capital Notes, in whole but not in part, at the relevant Optional Redemption Amount (Regulatory Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Holders of the Tier 2 Capital Notes in accordance with Condition 19 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Prior to giving notice of redemption in accordance with this Condition 9(d) (*Redemption for Regulatory Event*), 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 9(d) (*Redemption for Regulatory Event*) 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.

Upon the expiry of any such notice as is referred to in this Condition 9(d) (*Redemption for Regulatory Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(d) (*Redemption for Regulatory Event*).

- (e) **Redemption for Loss Absorption Disqualification Event:** In the case of any Series of Senior Notes only and subject to Condition 9(l) (*Restriction on Early Redemption or Repurchase of the Notes*), if Loss Absorption Disqualification Call is specified in the relevant Final Terms as being applicable and a Loss Absorption Disqualification Event has occurred, the Issuer may, at its option, redeem the Senior Notes, in whole but not in part, at the relevant Optional Redemption Amount (Loss Absorption Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Holders of the Notes in accordance with Condition 19 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Prior to giving notice of redemption in accordance with this Condition 9(e) (*Redemption for Loss Absorption Disqualification Event*), 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 9(e) (*Redemption for Loss Absorption Disqualification Event*) 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.

Upon the expiry of any such notice as is referred to in this Condition 9(e) (*Redemption for Loss Absorption Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(e) (*Redemption for Loss Absorption Disqualification Event*).

This Condition 9(e) (*Redemption for Loss Absorption Disqualification Event*) will not apply to the extent such application would cause a Loss Absorption Disqualification Event to occur.

- (f) **Redemption at the option of Noteholders:** In the case of any Series of Senior Notes only, if the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice (which notice shall be irrevocable) at the relevant Optional Redemption Amount (Put) together with any accrued but unpaid interest to (but excluding) such date. No Series of Tier 2 Capital Notes shall contain a Put Option. In order to exercise the option contained in this Condition 9(f) (*Redemption at the option of*

*Noteholders*), the Holder of a Note must, not less than 30 days nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with any unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or the Registrar (as the case may be) with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f) (*Redemption at the option of Noteholders*), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar (as the case may be) shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or the Registrar (as the case may be) in accordance with this Condition 9(f) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent or the Registrar (as the case may be) shall be deemed to be the Holder of such Note for all purposes. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 9(b) (*Redemption at the option of the Issuer*), 9(c) (*Redemption for Tax Event*) or 9(g) (*Partial redemption*) and any exercise of the first-mentioned option in such circumstances shall have no effect.

- (g) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 9(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and the notice to Noteholders referred to in Condition 9(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (h) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to 9(g) (*Partial redemption*).
- (i) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding)

the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 9(i) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) **Purchase:** Subject to Condition 9(l) (*Restriction on Early Redemption or Repurchase of the Notes*) and notwithstanding Condition 3 (*Status*), the Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise, provided that all unmatured Coupons are purchased therewith.
- (k) **Cancellation:** All Notes which are redeemed pursuant to this Condition 9 (*Redemption and Purchase; Substitution or Variation*) will be cancelled. 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.
- (l) **Restriction on Early Redemption or Repurchase of the Notes:** Notwithstanding any other provision in this Condition 9 (*Redemption and Purchase; Substitution or Variation*), the Issuer may only redeem or repurchase the Notes (and give notice thereof to the Holders if required) pursuant to Conditions 9(b) (*Redemption at the option of the Issuer*), 9(c) (*Redemption for Tax Event*), 9(d) (*Redemption for Regulatory Event*), 9(e) (*Redemption for Loss Absorption Disqualification Event*) or 9(j) (*Purchase*) if:
  - (i) it has obtained the Relevant Authority's prior permission for the redemption or repurchase of the Notes, if and to the extent such permission is required by the Capital Regulations;
  - (ii) in the case of any redemption or repurchase of Notes, if and to the extent then required by the Capital Regulations, either: (a) the Issuer has, earlier than or at the same time as such redemption or repurchase, replaced the Notes with own funds instruments or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer (as determined by the Relevant Authority in accordance with the Capital Regulations); or (b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the own funds and eligible liabilities of the Issuer would, following such redemption or repurchase, exceed its minimum capital requirements (including any capital buffer requirements) and eligible liabilities requirements by a margin that, in the case of the Senior Notes, the Resolution Authority, in agreement with the Competent Authority, or, in the case of the Tier 2 Capital Notes, the Competent Authority considers necessary, in accordance with the Capital Regulations;
  - (iii) in respect of any redemption of Tier 2 Capital Notes proposed to be made prior to the fifth anniversary of the Issue Date of the last Tranche of such Tier 2 Capital Notes pursuant to Condition 9(c) (*Redemption for Tax Event*) or 9(d) (*Redemption for Regulatory Event*), if and to the extent required by the Capital Regulations, (a) in the case of a redemption following the occurrence of a Regulatory Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Tier 2 Capital Notes was not reasonably foreseeable as at the relevant Issue Date of the last Tranche of such Tier 2 Capital Notes; or (b) in the case of a redemption following the occurrence of a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that such Tax Event is material and was not



reasonably foreseeable as at the Issue Date of the last Tranche of such Tier 2 Capital Notes; and

- (iv) the Issuer has complied with any other requirements contained in the Capital Regulations then in force which relate to the redemption or repurchase of the Notes.
- (m) **Substitution or Variation:** If this Condition 9(m) (*Substitution or Variation*) is specified as being applicable in the relevant Final Terms, then following the occurrence of a Regulatory Event in the case of any Tier 2 Capital Notes or following the occurrence of a Loss Absorption Disqualification Event in the case of any Senior Notes (in each case, the "**Existing Notes**"), the Issuer may, subject to the other provisions of this Condition 9(m) (*Substitution or Variation*) (without any requirement for the consent or approval of the Noteholders or the Trustee (but subject to the notice requirements below)), either substitute all (but not some only) of such Existing Notes for, or vary the terms of such Existing Notes so that they remain or, as appropriate, become, Compliant Notes. Upon the expiry of the notice required by this Condition 9(m) (*Substitution or Variation*), the Issuer shall either substitute or vary the terms of the Existing Notes in accordance with this Condition 9(m) and, subject as set out below, the Trustee shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this Condition 9(m), the Issuer shall comply with the rules of any listing authority, stock exchange and/or quotation system on which the Existing Notes are for the time being admitted to listing, trading and/or quotation.

Any substitution or variation in accordance with this Condition 9(m) (*Substitution or Variation*) is subject to the Issuer (i) obtaining the Relevant Authority's prior permission for the substitution or variation of the Notes if and to the extent required by the Capital Regulations and (ii) giving not less than 30 nor more than 60 days' notice to the Trustee (with a copy to the Principal Paying Agent) and to the Noteholders in accordance with Condition 19 (Notices), which notice shall be irrevocable.

Any substitution or variation in accordance with this Condition 9(m) (*Substitution or Variation*) shall not otherwise give the Issuer an option to redeem the relevant Existing Notes under the Conditions. Prior to the publication of any notice of substitution or variation pursuant to this Condition 9(m) (*Substitution or Variation*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Regulatory Event or Loss Absorption Disqualification Event, as the case may be, giving rise to the right to substitute or vary has occurred and is continuing and the Trustee shall accept such certificate without any further inquiry as sufficient evidence of the same and it shall be conclusive and binding on the Noteholders and the Trustee.

The Trustee shall concur in the substitution of the Existing Notes for Compliant Notes, or the variation of the terms of the Existing Notes so that they remain or become Compliant Notes, as the case may be, provided that the Trustee shall not be obliged to concur in any such substitution or variation if the terms of the proposed Compliant Notes or the concurring in such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured and/or pre-funded to its satisfaction.

#### 10. **Payments - Bearer Notes**

This Condition 10 (*Payments - Bearer Notes*) is only applicable to Bearer Notes.

- (a) **Principal:** Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified

Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

- (b) **Interest:** Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10(a) (*Principal*).
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (1) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due; (2) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (3) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** Save as provided in Condition 12 (*Taxation*), payments in respect of the Bearer Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its Paying Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable, and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this Condition 10(e)(ii)(A) (*Deductions for unmatured Coupons*) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for

payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 10(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) **Unmatured Coupons void:** If the relevant Final Terms specify that the Reset Note Provisions are applicable or that the Floating Rate Note Provisions are applicable, on the due date for redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption at the option of the Issuer*), 9(c) (*Redemption for Tax Event*), 9(d) (*Redemption for Regulatory Event*), 9(e) (*Redemption for Loss Absorption Disqualification Event*), 9(f) (*Redemption at the option of Noteholders*) or 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 10(c) (*Payments in New York City*)).
- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 11. Payments - Registered Notes

This Condition 11 (*Payments - Registered Notes*) is only applicable to Registered Notes.

- (a) **Principal:** Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency 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 by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency 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:** Save as provided in Condition 12 (*Taxation*), payments in respect of the Registered Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (1) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment 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 (2) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered 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 Registered 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 15th day before the due date for such payment (the "**Record Date**").

## 12. Taxation

- (a) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons 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 present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts on payments of principal and interest (in the case of Senior Notes) or on payments of interest but not principal (in the case of Tier 2 Capital Notes) ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them in respect of principal and interest (in the case of Senior Notes) or in respect of interest only (in the case of Tier 2 Capital Notes) had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:
  - (i) held by or on behalf of a Holder, which is liable to such Taxes in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction other than the mere holding or ownership of the Note or Coupon;
  - (ii) where (in the case of a payment of principal or interest on redemption) the relevant Note or Coupon or Certificate is presented or 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 presented or surrendered the relevant Note or Coupon or Certificate on the last day of such period of 30 days; or

- (iii) where the Holder of the relevant Note or Coupon 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.
- (b) **FATCA:** 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, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement, 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 Additional Amounts on account of any FATCA Withholding Tax.

### 13. Events of Default

- (a) The provisions of this Condition 13(a) (*Events of Default*) shall have effect in relation to any Series of Senior Notes where the relevant Final Terms specify that Condition 13(b) (*Events of Default*) does not apply.

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 Senior Notes or if so directed by an Extraordinary Resolution, shall (subject, in all cases, to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Senior Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with any accrued but unpaid interest without further action or formality:

- (i) *Non-payment:* if any principal or interest on the Senior Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment, provided that the Issuer shall not be in default if it satisfies the Trustee during the 14 or 7 day period (as applicable) 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;
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Senior Notes or the Trust Deed and that breach has not (in the opinion of the Trustee) been remedied within 30 days of receipt of a written notice from the Trustee certifying that in its opinion the breach is materially prejudicial to the interests of the holders of such Senior Notes and requiring the same to be remedied; or
- (iii) *Winding-up etc.:* a Winding-up Event occurs.

At any time after any Series of Senior Notes shall have become due and repayable in accordance with this Condition 13(a) (*Events of Default*), the

Trustee may at its discretion and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Senior 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, institute such proceedings or take such steps or actions as it may think fit against the Issuer to enforce payment.

(b) The provisions of this Condition 13(b) (*Events of Default*) shall have effect in relation to (1) any Series of Senior Notes where the relevant Final Terms specify that Condition 13(b) (*Events of Default*) applies and (2) each Series of Tier 2 Capital Notes.

(i) 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:

(A) *Non-payment*: if any principal or interest on the Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) 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 satisfies the Trustee during the 14 or 7 day period (as applicable) 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; or

(B) *Limited remedies for breach of other obligations (other than non-payment)*: 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); provided always that the Trustee (acting on behalf of the Noteholders but not the Trustee acting in its personal capacity under the Trust Deed) and the Noteholders 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 for such Monetary Judgment in a Winding-Up.

Nothing in this Condition 13(b)(i) (*Events of Default*) 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.

(ii) If a Winding-Up Event occurs, 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 pre-funded to its satisfaction) declare the Notes to be due and repayable immediately (and the Notes shall thereby become so due and repayable) at their Early Termination Amount together with any accrued but unpaid interest as provided in the Trust Deed and payments are subject to the subordination provisions set out in Condition 3 (*Status*).

- (c) The provisions of this Condition 13(c) (*Events of Default*) shall have effect in relation to Senior Notes and Tier 2 Capital Notes.

No Holder of any Notes or related Coupons (if any) shall be entitled to institute any of the proceedings or take the steps or actions referred to in Condition 13(a) or 13(b) (*Events of Default*) 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 so to do in respect of its Notes and/or Coupons. In the case of (1) any Series of Senior Notes where the relevant Final Terms specify that Condition 13(b) (*Events of Default*) applies and (2) each Tier 2 Capital Notes, no remedy against the Issuer other than the institution of the proceedings referred to above or proving and/or claiming in a Winding-Up, shall be available to the Trustee or the Holders of the Notes whether for the recovery of amounts owing in respect of the Notes or Coupons 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 Coupons or under the Trust Deed.

14. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within 10 years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest in respect of Registered Notes shall become void unless the relevant Certificates are surrendered for payment within 10 years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and if the Notes are admitted to listing and/or trading by any competent listing authority and/or stock exchange which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by the competent listing authority and/or stock exchange), subject to all applicable laws and competent listing authority and/or stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates or Coupons or Talons must be surrendered before replacements will be issued.

16. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded before taking any steps or actions or initiating any proceedings and relieved from responsibility in certain circumstances and to be paid its costs, fees and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents (as defined in the Agency Agreement) act solely as agent of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the relevant Final Terms. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Principal Paying Agent and a Registrar;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing and/or trading by any competent authority and/or stock exchange which requires the appointment of a Paying Agent and/or Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority and/or stock exchange.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 19 (*Notices*) and to the Trustee.

#### 17. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) ***Meetings of Noteholders:*** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions by Extraordinary Resolution, subject to Condition 17(d) (*Relevant Authority Notice or Consent*).

Such a meeting may be convened by the Issuer or by the Trustee and, subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than a clear majority in aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters (as defined in the Trust Deed) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons 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 outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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 Noteholders 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 Noteholders.

The Trust Deed contains provisions for convening a single meeting of the holders of Notes of more than one Series in certain circumstances where the Trustee so decides.



- (b) **Modification and waiver.** Subject to certain exceptions and Condition 17(d) (*Relevant Authority Notice or Consent*), the Trustee may, without the consent of the Noteholders, agree to any modification of the Trust Deed or the Notes (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is (in the Trustee's opinion) of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee shall be obliged to agree to such modifications to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to Condition 6(h) (*Benchmark Replacement*) in connection with implementing any Alternative Reference Rate, Successor Rate, Adjustment Spread or related changes referred to in Condition 6(h) (*Benchmark Replacement*) without the requirement for the consent or sanction of the Noteholders. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

In addition, the Trustee may determine, without the consent of the holders of Notes of any Series or holders of the Coupons (if any) appertaining thereto (except as set out in the Trust Deed), that any Event of Default or Potential Event of Default (both as defined in the Trust Deed) shall not be treated as such for the purpose of the Trust Deed and such Notes if, in the opinion of the Trustee, the interests of the relevant Noteholders would not be materially prejudiced thereby.

Any such authorisation, waiver, determination or modification shall be notified to the Noteholders by the Issuer in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.

- (c) **Substitution:** Subject to (1) Condition 17(d) (*Relevant Authority Notice or Consent*) and (2) such amendment of the Trust Deed and any other conditions as the Trustee may require, but without the consent of the Noteholders, the Trustee may also agree, subject in the case of any Series of Senior Notes to such Senior Notes and any related Coupons being or, where appropriate, remaining irrevocably guaranteed by the Issuer, to the substitution of any Subsidiary of the Issuer in place of the Issuer (or any previous substitute under this Condition 17(c) (*Substitution*)) as principal debtor under such Notes and in each case the Coupons (if any) appertaining thereto and the Trust Deed in so far as it relates to such Notes, all in accordance with the provisions of the Trust Deed.

In connection with a substitution under this Condition 17(c) (*Substitution*), the Trustee may agree, without the consent of the holders of the Notes of the relevant Series or of the Coupons (if any) appertaining thereto but subject always to Condition 17(d) (*Relevant Authority Notice or Consent*), to a change of the law governing such Notes and/or Coupons and/or the Trust Deed insofar as it relates to such Notes provided that (1) such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Notes of such Series and (2) the Issuer (or any previous substitute under this Condition 17(c) (*Substitution*)) shall not be entitled as a result of such substitution to redeem the Notes pursuant to Condition 9(c) (*Redemption for Tax Event*), 9(d) (*Redemption for Regulatory Event*) or 9(e) (*Redemption for Loss Absorption Disqualification Event*), as the case may be.

- (d) **Relevant Authority Notice or Consent:** The provisions relating to the Tier 2 Capital Notes or to any Senior Notes constituting eligible liabilities instruments for the purposes of the Capital Regulations, shall only be capable of modification or waiver in accordance with Condition 17(b) (*Modification and waiver*) and the Issuer may only be substituted in respect of such Notes (and where applicable, the governing law of the Notes and/or the Coupons and/or the Trust Deed changed) in accordance with Condition 17(c) (*Substitution*), if the Issuer has

notified the Relevant Authority of such modification, waiver or substitution (and where applicable, change of governing law, as aforesaid) and/or obtained the prior consent of the Relevant Authority, as the case may be (if such notice and/or consent is then required by the Capital Regulations).

Wherever such modification or waiver of the Tier 2 Capital Notes or such Senior Notes is proposed, a meeting of Holders in respect thereof is proposed or a substitution of the Issuer in respect of such Notes (and where applicable, change of governing law, as aforesaid) is proposed in accordance with Condition 17(c) (*Substitution*), the Issuer shall provide to the Trustee a certificate signed by two Authorised Signatories of the Issuer, certifying either that (1) it has notified the Relevant Authority of, and/or received the Relevant Authority's consent to such modification, waiver or substitution (and where applicable, change of governing law, as aforesaid), as the case may be; or (2) that the Issuer is not required to notify the Relevant Authority of, and/or obtain the Relevant Authority's consent to, such modification, waiver or substitution. The Trustee shall be entitled to rely absolutely on such certificate without further enquiry and without liability for so doing.

- (e) **Effect for the Holders:** Any such modification, waiver, authorisation, determination or substitution shall be binding on all the Noteholders and Couponholders of the relevant Series and shall be notified to the holders of Notes of that Series as soon as practicable thereafter in accordance with Condition 19 (*Notices*).
- (f) **Exercise of Trustee's powers:** In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any such modification, waiver, authorisation, determination or substitution as aforesaid) the Trustee shall have regard to the interests of the holders of the Notes of the relevant Series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from the individual Noteholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

## 18. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or Couponholders but subject to receipt of the prior consent of the Relevant Authority (if and to the extent such consent is required by the Capital Regulations) and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except in relation to the first payment of interest) so as to be consolidated and form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

## 19. Notices

- (a) **Bearer Notes:** Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) **Registered Notes:** Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (A) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

21. **Contracts (Rights of Third Parties) Act 1999**

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

22. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes, the Coupons and the Trust Deed, and all non-contractual obligations arising out of or in connection with the Notes, the Coupons and the Trust Deed, are governed by English law.
- (b) **Jurisdiction:** The parties to the Trust Deed have (1) 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 or the Coupons (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes or the Coupons); and (2) 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.

23. **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 Series of Notes or any other agreements, arrangements, or understandings between the relevant 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 relevant 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 or alteration of the maturity of the Notes or 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 23 (*Recognition of UK Bail-in Power*):

"**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.

"**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 Issuers 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 any applicable European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, and/or 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 relevant Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the relevant Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes will be an event of default.
- (e) **Notice:** Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the relevant 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 19 (Notices). Any delay or failure by the relevant Issuer in delivering any notice referred to in this Condition 23(e) (*Recognition of UK Bail-in Power – Notice*) shall not affect the validity and enforceability of the UK Bail-in Power.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes which are not Exempt Notes will be in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

**[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65, as amended ("**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), 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, as amended (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**IMPORTANT – 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 of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. 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/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[*'s/s'*] target market assessment; however, a distributor subject to 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/s'*] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] [Any person subsequently offering, selling or recommending the Notes (a "**distributor**")/A distributor] should take into consideration the manufacturer[*'s/s'*] target market

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<sup>1</sup> To be included depending on whether there are EU MiFID manufacturers.

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 the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Final Terms dated [•]

**VIRGIN MONEY UK PLC**

Legal Entity Identifier (LEI): 213800ZK9VGCYYR6O495

**CLYDESDALE BANK PLC**

Legal Entity Identifier (LEI): NHXOBHMY8K53VRC7MZ54

Issue of [Currency][Aggregate Principal Amount of Tranche] [Title of Notes] under the  
£10,000,000,000 Global Medium Term Note Programme

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the base prospectus dated 24 March 2021 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation** "). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>].

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions which are set forth in the base prospectus dated [5 February 2020/1 July 2019/ 7 September 2018] (the "**Conditions**") and incorporated by reference in the base prospectus dated 24 March 2021. These Final Terms contain the final terms of the Notes and must be read in conjunction with the base prospectus dated 24 March 2021 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation**"), save in respect of the Conditions. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus, the base prospectus dated [•], including the Conditions, and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>]]. \*\*\*\*\*

- |    |   |  |
|----|---|--|
| 1. | Issuer:                                       | [Virgin Money UK PLC]/[Clydesdale Bank PLC]  |
| 2. | (a) Series Number:                            | [•]  |
|    | (b) Tranche Number:                           | [•]  |
|    | (c) [Date on which the Notes become fungible: | [Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/[the Issue Date]/[exchange of the Temporary Global Note for interests in the |

Permanent Global Note, as referred to in paragraph [23] below [which is expected to occur on or about [•]].]

3. Specified Currency or Currencies: [•]
4. Aggregate Principal Amount: [•]
  - (a) [Series]: [•]
  - (b) [Tranche]: [•]
5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
6. (a) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to (and including) [•]. [No Notes in definitive form will be issued with a denomination above [•]].]
  - (b) Calculation Amount: [•]
7. (a) Issue Date: [•]
  - (b) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
 

[Reset Notes]

[[EURIBOR]/[SONIA] +/- [•] per cent. Floating Rate]

[Floating Rate: CMS Linked Interest]

[Zero Coupon]

(see paragraph [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their principal amount.
11. Change of Interest or Redemption/ Payment Basis: [•]/[Not Applicable]
12. Put/Call Options: [Investor Put]
 

[Issuer Call]

(see paragraph [18]/[19] below)

[Not Applicable]
13. (a) Status of the Notes: [Senior]/[Tier 2 Capital Notes]
  - (b) Senior Notes Waiver of Set-off: Condition 3(c) (*No set-off*): [Applicable]/[Not Applicable]



- (c) Senior Notes Events of Default: Condition 13(b) (*Events of Default*): [Applicable]/[Not Applicable]
- (d) [Date [Board] approval for issuance of Notes obtained:] [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (a) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [•]/[and [•]] in each year[, up to and including [•]], commencing on [•]
- (c) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (d) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling on [•]
- (e) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
15. Reset Note Provisions [Applicable]/[Not Applicable]
- (a) Initial Rate of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (b) Reset Rate: [Mid-Swap Rate]/[Benchmark Gilt Rate]
- (c) First Margin: [+/-][•] per cent. per annum
- (d) Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]<sup>2</sup>
- (e) Interest Payment Date(s): [•] [and [•]] in each year up to (and including) the Maturity Date, commencing on [•]

<sup>2</sup> For Tier 2 Capital Notes and Senior Notes which are intended to count as MREL, the Subsequent Margin shall be equal to the First Margin.

- (f) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[•] per Calculation Amount]/[Not Applicable]
- (g) Broken Amount(s): [[•]] per Calculation Amount payable on the Interest Payment Date falling [in]/[on] [•]/[Not Applicable]
- (h) First Reset Date: [•]
- (i) Subsequent Reset Date(s): [•] [and [•]]
- (j) Relevant Screen Page: [•]
- (k) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
- (l) Mid-Swap Maturity: [•]
- (m) Reference Rate: [EURIBOR]/[SONIA]/[•]
- (n) Reference Banks: [•]
- (o) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
- (p) Reset Determination Dates: [•]
- (q) Minimum Rate of Interest: [[•] per cent. per annum]
- (r) Maximum Rate of Interest: [[•] per cent. per annum]
- (s) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (t) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR]/[SONIA]
16. Floating Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (a) Specified Period(s): [•]

- (b) Interest Payment Dates: [•] [and [•]] in each year[, subject to adjustment in accordance with the Business Day Convention below]
- (c) First Interest Payment Date: [•]
- (d) Business Day Convention: [Following Business Day Convention]  
 [Modified Following Business Day Convention]  
 [Modified Business Day Convention]  
 [Preceding Business Day Convention]  
 [FRN Convention]  
 [Floating Rate Convention]  
 [Eurodollar Convention]  
 [No Adjustment]  
 [Not Applicable]
- (e) Additional Business Centre(s): [Not Applicable]/[•]
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (g) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (h) Screen Rate Determination: [Applicable]/[Not Applicable]
- (i) SONIA Index Determination: [Applicable]/[Not Applicable]
- (ii) Reference Rate: [EURIBOR]/[SONIA]/[CMS Reference Rate]
- (iii) Reference Bank(s): [•]
- (iv) Interest Determination Date(s): [•]/[The day falling the Relevant Number of London Banking Days prior to the relevant Interest Payment Date, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from the relevant Interest Period)]<sup>3</sup>

<sup>3</sup> To be used for SONIA Index Determination.

(v) Relevant Screen Page: [•]/[Bloomberg Page SONIO/N Index]/[SONCINDEX]

*Insert only if CMS Reference Rate is the reference rate*

(vi) Relevant Time: [[•] in the Relevant Financial Centre]/[As per the Conditions]

(vii) Relevant Financial Centre: [London]/[Brussels]/[New York City]/[•]

(viii) Reference Currency: [•]/[Not Applicable]

(ix) Designated Maturity: [•]/[Not Applicable]

(x) Determination Time: [[•] [a.m.]/[p.m.] ([•] time)]/[Not Applicable]

(xi) CMS Rate Fixing Centre(s): [•]/[Not Applicable]

*Insert only if SONIA is the reference rate and SONIA Index Determination is not applicable*

(xii) "p" [•]<sup>4</sup>

*Insert only if SONIA Index Determination is applicable*

(xiii) Numerator [•]

(xiv) Relevant Decimal Place [•]

(xv) Relevant Number [•]<sup>5</sup>

(i) ISDA Determination: [Applicable]/[Not Applicable]

(i) Floating Rate Option: [•]

(ii) Designated Maturity: [•]

(iii) Reset Date: [•]

(iv) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]

(v) ISDA Definitions: 2006

(j) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]

(k) Margin(s): [+/-][•] per cent. per annum

<sup>4</sup> To be a minimum of 5 without prior agreement of the Calculation Agent.

<sup>5</sup> To be a minimum of 5 without prior agreement of the Calculation Agent.

- |     |   |  |
|-----|---|--|
| (l) | Minimum Rate of Interest:                                   | [•] per cent. per annum  |
| (m) | Maximum Rate of Interest:                                   | [•] per cent. per annum  |
| (n) | Day Count Fraction:   | [30/360]<br>[Actual/Actual (ICMA)]<br>[Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30E/360]<br>[Eurobond Basis]<br>[30E/360(ISDA)] |
| 17. | Zero Coupon Note Provisions                                 | [Applicable]/[Not Applicable]  |
| (a) | Accrual Yield:  | [•] per cent. per annum  |
| (b) | Reference Price:  | [•]  |
| (c) | Day Count Fraction in relation to early Redemption Amounts: | [30/360]<br>[Actual/Actual (ICMA)]<br>[Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30E/360]<br>[Eurobond Basis]<br>[30E/360(ISDA)] |

PROVISIONS RELATING TO REDEMPTION

- |     |                                     |   |
|-----|-------------------------------------|---|
| 18. | Call Option                         | [Applicable]/[Not Applicable]   |
| (a) | Optional Redemption Date(s) (Call): | [•]/[Any date from (and including) [•] to (but excluding) [•]]  |
| (b) | Optional Redemption Amount (Call):  | [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) [•]] [and [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) the Maturity Date]] |

(c)	Series redeemable in part:	[Yes: [•] per cent. of the Aggregate Principal Amount of the Notes may be redeemed on [each]/[the] Optional Redemption Date (Call)]/[No]
(d)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
	(ii) Maximum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
(e)	Notice period:	Minimum period: [[•] days]/[As per the Conditions]  Maximum period: [[•] days]/[As per the Conditions]
(f)	Optional Redemption Amount (Regulatory Event):	[•] per Calculation Amount
(g)	Loss Absorption Disqualification Call:	[Applicable]/[Not Applicable] <sup>6</sup>
	(i) Optional Redemption Amount (Loss Absorption Disqualification Event):	[•] per Calculation Amount
	(ii) Full exclusion or partial exclusion sufficient:	[Full exclusion required]/[Partial exclusion sufficient]
(h)	Early Redemption Amount (Tax):	[•] per Calculation Amount
(i)	Substitution or Variation (Condition 9(m)):	[Applicable]/[Not Applicable]
19.	Put Option	[Applicable]/[Not Applicable]
	(a) Optional Redemption Date(s) (Put):	[•]
	(b) Optional Redemption Amount (Put):	[•] per Calculation Amount
	(c) Notice period:	Minimum period: [[•] days]/[As per the Conditions]

<sup>6</sup> Loss Absorption Disqualification Event Call will be specified as "Not Applicable" in the case of Senior Notes issued by the Clydesdale Bank PLC and Tier 2 Capital Notes.

- Maximum period: [[•] days]/[As per the Conditions]
20. Final Redemption Amount: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•] per Calculation Amount
21. Early Termination Amount: [[•] per Calculation Amount]/[Not Applicable]
22. Redemption Amount for Zero Coupon Notes: [•]/[As per Condition 9(i) (*Early redemption of Zero Coupon Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]
- Registered Notes:
- [Unrestricted Global Certificate exchangeable for Unrestricted Individual Certificates in the limited circumstances described in the Unrestricted Global Certificate]
- [and]
- [Restricted Global Certificate exchangeable for Restricted Individual Certificates in the limited circumstances described in the Restricted Global Certificate]
- [and]
- [Restricted Global Certificate [(U.S.\$ [•]/€[•] principal amount)] registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg.]
- [and]
- [Unrestricted Global Certificate [(U.S.\$ [•]/€[•] principal amount)] registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]/[Individual Certificates]

24. New Global Note: [Yes]/[No]/[Not Applicable]
25. New Safekeeping Structure: [Yes]/[No]/[Not Applicable]
26. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable]/[\*]
27. Talons for future Coupons to be attached to Definitive Notes: [Yes]/[No]

**SIGNED** on behalf of  
**[VIRGIN MONEY UK PLC]/[CLYDESDALE BANK PLC]:**

By: .....  
Duly authorised



## PART B – OTHER INFORMATION

### 1. LISTING

- (a) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market] [and the International Securities Market] of the London Stock Exchange with effect from [•].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market] [and the International Securities Market] of the London Stock Exchange with effect from [•].]
- (b) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

- Ratings: The Notes to be issued [have not been rated]/ [have been rated:]
- [S&P Global Ratings UK Limited ("**S&P's**"):  
[•]]
- [Moody's Investors Service Ltd. ("**Moody's**"):  
[•]]
- [Fitch Ratings Limited ("**Fitch**"):  
[•]]
- [The short term unsecured obligations of the Issuer are rated [•] by S&P's, [•] by Fitch and [•] by Moody's, and the unsecured unsubordinated long-term obligations of the Issuer are rated [•] by S&P's, [•] by Fitch and [•] by Moody's.]
- (If the Notes have already been assigned ratings, include here a brief explanation of the meanings of such ratings)*
- [Each of] [S&P's], [Fitch] and [Moody's] is 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] [S&P's], [Fitch] and [Moody's] appears on the latest update of the list of registered credit rating agencies published by the FCA Authority on its website in accordance with the UK CRA Regulation. The rating [each of] [S&P's], [Fitch] and [Moody's] has given to the Notes is endorsed by[S&P Global Ratings Europe Limited], [Fitch Ratings Ireland Limited] and [Moody's Deutschland GmbH] [respectively], [each of] which is established in the EEA and registered under Regulation

(EU) No 1060/2009, as amended (the "EU CRA Regulation").

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

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

4. USE OF PROCEEDS

[It is the Issuer's intention to use the net proceeds of the issue of the Notes issued by it for general corporate purposes of the Issuer and its subsidiaries.]

[It is the Issuer's intention to use the net proceeds of the issue of the Notes issued by it for general corporate purposes of the Group [and to strengthen further the regulatory capital base of either Issuer and/or the Group.]

Estimated net proceeds: [•]

5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

[The indicative yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]/[The indicative yield is calculated at the Issue Date on the basis of an assumed Issue Price of 100 per cent. It is not an indication of an individual investor's actual or future yield.]

6. OPERATIONAL INFORMATION

(a) CUSIP Number [•]/[Not Applicable]

(b) ISIN: [•]

(c) Common Code: [•]

(d) CFI: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

(e) FISN: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

(f) Any clearing system(s) other than Euroclear, Clearstream, Luxembourg or DTC and the relevant identification number(s): [Not Applicable]/[•]

- (g) Delivery: Delivery [against]/[free of] payment
- (h) Names and addresses of additional Paying Agent(s) (if any): [•]
- (i) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

## 7. DISTRIBUTION

- (a) U.S. Selling Restrictions: [Reg. S Compliance Category [1]/[2];[TEFRA C]/[TEFRA D]/[TEFRA not applicable] – [Not] Rule 144A Eligible
- (b) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]
- [If the Notes clearly do not constitute "packaged" products or if the Notes do constitute packaged products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no "key information document" will be prepared, "Applicable" should be specified]*
- (c) Prohibition of Sales to UK Retail Investors: [Applicable]/[Not Applicable]

*[If the Notes clearly do not constitute "packaged" products or if the Notes do constitute packaged products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no "key information document" will be prepared, "Applicable" should be specified]*

(d) Method of distribution: [Syndicated]/[Non-syndicated]

(e) If syndicated [Not Applicable]/[\*]

(i) Names of Managers and underwriting commitments: [Not Applicable]/[\*]

(ii) Stabilisation Manager(s) (if any): [Not Applicable]/[\*]

(f) If non-syndicated, name and address of Dealer: [Not Applicable]/[\*]

8. BENCHMARK REGULATION [specify benchmark] is provided by [administrator legal name][repeat as necessary].

[As at the date hereof, [administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA]/[As far as the Issuer is aware, as at the date hereof,[[administrator legal name], as administrator of [specify benchmark]][repeat as necessary] [is / are] not required to be registered by virtue of Article 2 of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA.]/[the transitional provisions in Article 51 of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA apply, such that [insert names(s) of administrator(s)] [is/are] not currently required to obtain authorisation or registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).]/[Not Applicable]

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of Notes which are Exempt Notes will be in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.*

**[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65, as amended ("**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), 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, as amended (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**IMPORTANT – 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 of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. 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/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[*'s/s'*] target market assessment; however, a distributor subject to 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/s'*] target market assessment) and determining appropriate distribution channels.]<sup>7</sup>

**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] [Any person subsequently offering, selling or recommending the Notes (a "**distributor**")/A distributor] should take into consideration the manufacturer[*'s/s'*] target market

<sup>7</sup> To be included depending on whether there are EU MiFID manufacturers.

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 the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

No prospectus is required to be published under Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK Prospectus Regulation"), for this issue of Notes. The Financial Conduct Authority, in its capacity as competent authority under the UK Prospectus Regulation has neither approved nor reviewed the information contained in this Pricing Supplement

Pricing Supplement dated [•]

VIRGIN MONEY UK PLC

Legal Entity Identifier (LEI): 213800ZK9VGCYYR60495

CLYDESDALE BANK PLC

Legal Entity Identifier (LEI): NHXOBHMY8K53VRC7MZ54

Issue of [Currency][Aggregate Principal Amount of Tranche] [Title of Notes] under the £10,000,000,000 Global Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the base prospectus dated 24 March 2021 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. [The Base Prospectus and this Pricing Supplement have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>].

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions which are set forth in the base prospectus dated [5 February 2020/1 July 2019/ 7 September 2018] (the "**Conditions**") and incorporated by reference in the base prospectus dated 24 March 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the base prospectus dated 24 March 2021 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"), save in respect of the Conditions.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. [The Base Prospectus, the base prospectus dated [•], including the Conditions, and this Pricing Supplement have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>]].\*\*\*\*

- |    |   |   |
|----|---|---|
| 1. | Issuer:                                       | [Virgin Money UK PLC]/[Clydesdale Bank PLC]   |
| 2. | (a) Series Number:                            | [•]   |
|    | (b) Tranche Number:                           | [•]   |
|    | (c) [Date on which the Notes become fungible: | [Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/[the Issue Date]/[exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in |

paragraph [23] below [which is expected to occur on or about [•]].]

3. Specified Currency or Currencies: [•]
4. Aggregate Principal Amount: [•]
  - (a) [Series]: [•]
  - (b) [Tranche]: [•]
5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
6. (a) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to (and including) [•]. [No Notes in definitive form will be issued with a denomination above [•]].]
  - (b) Calculation Amount: [•]
7. (a) Issue Date: [•]
  - (b) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]  
[Reset Notes]  
[[EURIBOR]/[SONIA] +/- [•] per cent. Floating Rate]  
[Floating Rate: CMS Linked Interest]  
[Zero Coupon]  
(see paragraph [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their principal amount.
11. Change of Interest or Redemption/ Payment Basis: [•]/[Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
(see paragraph [18]/[19] below)  
[Not Applicable]
13. (a) Status of the Notes: [Senior]/[Tier 2 Capital Notes]
  - (b) Senior Notes Waiver of Set-off: Condition 3(c) (*No set-off*): [Applicable]/[Not Applicable]



- (c) Senior Notes Events of Default: Condition 13(b) (*Events of Default*): [Applicable]/[Not Applicable]
- (d) [Date [Board] approval for issuance of Notes obtained:] [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (a) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [•]/[and [•]] in each year[, up to and including [•]], commencing on [•]
- (c) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (d) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling on [•]
- (e) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
15. Reset Note Provisions [Applicable]/[Not Applicable]
- (a) Initial Rate of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (b) Reset Rate: [Mid-Swap Rate]/[Benchmark Gilt Rate]
- (c) First Margin: [+/-][•] per cent. per annum
- (d) Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]<sup>8</sup>
- (e) Interest Payment Date(s): [•] [and [•]] in each year up to (and including) the Maturity Date, commencing on [•]

<sup>8</sup> For Tier 2 Capital Notes and Senior Notes which are intended to count as MREL, the Subsequent Margin shall be equal to the First Margin.

- (f) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[•] per Calculation Amount]/[Not Applicable]
- (g) Broken Amount(s): [[•]] per Calculation Amount payable on the Interest Payment Date falling [in]/[on] [•]]/[Not Applicable]
- (h) First Reset Date: [•]
- (i) Subsequent Reset Date(s): [•] [and [•]]
- (j) Relevant Screen Page: [•]
- (k) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
- (l) Mid-Swap Maturity: [•]
- (m) Reference Rate: [EURIBOR]/[SONIA]/[•]
- (n) Reference Banks: [•]
- (o) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
- (p) Reset Determination Dates: [•]
- (q) Minimum Rate of Interest: [[•] per cent. per annum]
- (r) Maximum Rate of Interest: [[•] per cent. per annum]
- (s) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (t) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR]/[SONIA]
16. Floating Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]

- (a) Specified Period(s): [•]
- (b) Interest Payment Dates: [•] [and [•]] in each year[, subject to adjustment in accordance with the Business Day Convention below]
- (c) First Interest Payment Date: [•]
- (d) Business Day Convention: [Following Business Day Convention]  
 [Modified Following Business Day Convention]  
 [Modified Business Day Convention]  
 [Preceding Business Day Convention]  
 [FRN Convention]  
 [Floating Rate Convention]  
 [Eurodollar Convention]  
 [No Adjustment]  
 [Not Applicable]
- (e) Additional Business Centre(s): [Not Applicable]/[•]
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (g) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (h) Screen Rate Determination: [Applicable]/[Not Applicable]
- (i) SONIA Index Determination: [Applicable]/[Not Applicable]
- (ii) Reference Rate: [EURIBOR]/[SONIA]/[CMS Reference Rate]
- (iii) Reference Bank(s): [•]
- (iv) Interest Determination Date(s): [•]/[The day falling the Relevant Number of London Banking Days prior to the relevant Interest Payment Date, or such other date on which the relevant payment of interest falls due (but which, by its definition or the

operation of the relevant provisions, is excluded from the relevant Interest Period)]<sup>9</sup>

- (v) Relevant Screen Page: [•]/[Bloomberg Page SONIO/N Index]/[SONCINDEX]

*Insert only if CMS Reference Rate is the reference rate*

- (vi) Relevant Time: [[•] in the Relevant Financial Centre]/[As per the Conditions]
- (vii) Relevant Financial Centre: [London]/[Brussels]/[New York City]/[•]
- (viii) Reference Currency: [•]/[Not Applicable]
- (ix) Designated Maturity: [•]/[Not Applicable]
- (x) Determination Time: [[•] [a.m.]/[p.m.] ([•] time)]/[Not Applicable]
- (xi) CMS Rate Fixing Centre(s): [•]/[Not Applicable]

*Insert only if SONIA is the reference rate and SONIA Index Determination is not applicable*

- (xii) "p" [•]<sup>10</sup>

*Insert only if SONIA Index Determination is applicable*

- (xiii) Numerator [•]
- (xiv) Relevant Decimal Place [•]
- (xv) Relevant Number [•]<sup>11</sup>
- (i) ISDA Determination: [Applicable]/[Not Applicable]
- (i) Floating Rate Option: [•]
- (ii) Designated Maturity: [•]
- (iii) Reset Date: [•]
- (iv) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]
- (v) ISDA Definitions: 2006

<sup>9</sup> To be used for SONIA Index Determination.

<sup>10</sup> To be a minimum of 5 without prior agreement of the Calculation Agent.

<sup>11</sup> To be a minimum of 5 without prior agreement of the Calculation Agent.

- (j) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
- (k) Margin(s): [+/-][•] per cent. per annum
- (l) Minimum Rate of Interest: [•] per cent. per annum
- (m) Maximum Rate of Interest: [•] per cent. per annum
- (n) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
17. Zero Coupon Note Provisions [Applicable]/[Not Applicable]
- (a) Accrual Yield: [•] per cent. per annum
- (b) Reference Price: [•]
- (c) Day Count Fraction in relation to early Redemption Amounts: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]

PROVISIONS RELATING TO REDEMPTION

18. Call Option [Applicable]/[Not Applicable]
- (a) Optional Redemption Date(s) (Call): [•]/[Any date from (and including) [•] to (but excluding) [•]]
- (b) Optional Redemption Amount (Call): [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) [•]] [and [[•] per Calculation

		Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) the Maturity Date]]
(c)	Series redeemable in part:	[Yes: [•] per cent. of the Aggregate Principal Amount of the Notes may be redeemed on [each]/[the] Optional Redemption Date (Call)]/[No]
(d)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
	(ii) Maximum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
(e)	Notice period:	Minimum period: [[•] days]/[As per the Conditions]  Maximum period: [[•] days]/[As per the Conditions]
(f)	Optional Redemption Amount (Regulatory Event):	[•] per Calculation Amount
(g)	Loss Absorption Disqualification Call:	[Applicable]/[Not Applicable] <sup>12</sup>
	(i) Optional Redemption Amount (Loss Absorption Disqualification Event):	[•] per Calculation Amount
	(ii) Full exclusion or partial exclusion sufficient:	[Full exclusion required]/[Partial exclusion sufficient]
(h)	Early Redemption Amount (Tax):	[•] per Calculation Amount
(i)	Substitution or Variation (Condition 9(m)):	[Applicable]/[Not Applicable]
19.	Put Option	[Applicable]/[Not Applicable]
	(a) Optional Redemption Date(s) (Put):	[•]
	(b) Optional Redemption Amount (Put):	[•] per Calculation Amount

<sup>12</sup> Loss Absorption Disqualification Event Call will be specified as "Not Applicable" in the case of Senior Notes issued by the Clydesdale Bank PLC and Tier 2 Capital Notes.

- (c) Notice period: Minimum period: [[•] days]/[As per the Conditions]  
Maximum period: [[•] days]/[As per the Conditions]
20. Final Redemption Amount: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•] per Calculation Amount
21. Early Termination Amount: [[•] per Calculation Amount]/[Not Applicable]
22. Redemption Amount for Zero Coupon Notes: [•]/[As per Condition 9(i) (*Early redemption of Zero Coupon Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]
- Registered Notes:
- [Unrestricted Global Certificate exchangeable for Unrestricted Individual Certificates in the limited circumstances described in the Unrestricted Global Certificate]
- [and]
- [Restricted Global Certificate exchangeable for Restricted Individual Certificates in the limited circumstances described in the Restricted Global Certificate]
- [and]
- [Restricted Global Certificate [(U.S.\$ [•]/€[•] principal amount)] registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg.]
- [and]
- [Unrestricted Global Certificate [(U.S.\$ [•]/€[•] principal amount)] registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under

- |     |   | the New Safekeeping Structure<br>(NSS))/[Individual Certificates] |  |
|-----|---|---|--|
| 24. | New Global Note:  | [Yes]/[No]/[Not Applicable]                                       |  |
| 25. | New Safekeeping Structure:  | [Yes]/[No]/[Not Applicable]                                       |  |
| 26. | Additional Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable]/[*]  |  |
| 27. | Talons for future Coupons to be attached to Definitive Notes:                         | [Yes]/[No]  |  |

**SIGNED** on behalf of  
**[VIRGIN MONEY UK PLC]/[CLYDESDALE BANK PLC]:**

By: .....  
 Duly authorised



## PART B – OTHER INFORMATION

### 1. LISTING

- (a) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the International Securities Market of the London Stock Exchange with effect from [•].][•]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the International Securities Market] of the London Stock Exchange with effect from [•].][•]
- (b) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

- Ratings: The Notes to be issued [have not been rated]/ [have been rated:]
- [S&P Global Ratings UK Limited ("**S&P's**"):  
[•]]
- [Moody's Investors Service Ltd. ("**Moody's**"):  
[•]]
- [Fitch Ratings Limited ("**Fitch**"):  
[•]]
- [The short term unsecured obligations of the Issuer are rated [•] by S&P's, [•] by Fitch and [•] by Moody's, and the unsecured unsubordinated long-term obligations of the Issuer are rated [•] by S&P's, [•] by Fitch and [•] by Moody's.]
- [Each of] [S&P's], [Fitch] and [Moody's] is 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] [S&P's], [Fitch] and [Moody's] appears on the latest update of the list of registered credit rating agencies published by the FCA Authority on its website in accordance with the UK CRA Regulation. The rating [each of] [S&P's], [Fitch] and [Moody's] has given to the Notes is endorsed by[S&P Global Ratings Europe Limited], [Fitch Ratings Ireland Limited] and [Moody's Deutschland GmbH] [respectively], [each of] which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

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

4. USE OF PROCEEDS

[It is the Issuer's intention to use the net proceeds of the issue of the Notes issued by it for general corporate purposes of the Issuer and its subsidiaries.]

[It is the Issuer's intention to use the net proceeds of the issue of the Notes issued by it for general corporate purposes of the Group [and to strengthen further the regulatory capital base of either Issuer and/or the Group.]

Estimated net proceeds: [•]

5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

[The indicative yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.][The indicative yield is calculated at the Issue Date on the basis of an assumed Issue Price of 100 per cent. It is not an indication of an individual investor's actual or future yield.]

6. OPERATIONAL INFORMATION

(a) CUSIP Number [•]/[Not Applicable]

(b) ISIN: [•]

(c) Common Code: [•]

(d) CFI: [•]

(e) FISN: [•]

(f) Any clearing system(s) other than Euroclear, Clearstream, Luxembourg or DTC and the relevant identification number(s): [Not Applicable]/[•]

(g) Delivery: Delivery [against]/[free of] payment

(h) Names and addresses of additional Paying Agent(s) (if any): [•]

(i) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs

acting as common safekeeper,] [and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

## 7. DISTRIBUTION

(a) U.S. Selling Restrictions: [Reg. S Compliance Category [1]/[2];[TEFRA C]/[TEFRA D]/[TEFRA not applicable] – [Not] Rule 144A Eligible

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

*[If the Notes clearly do not constitute "packaged" products or if the Notes do constitute packaged products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no "key information document" will be prepared, "Applicable" should be specified]*

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

*[If the Notes clearly do not constitute "packaged" products or if the Notes do constitute packaged products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no "key information document" will be prepared, "Applicable" should be specified]*

- |      |  |   |
|------|--|---|
| (d)  | Method of distribution:  | [Syndicated]/[Non-syndicated]           |
| (e)  | If syndicated  | [Not Applicable]/[*]                    |
| (i)  | Names of<br>Managers and<br>underwriting<br>commitments:                   | [Not Applicable]/[*]                    |
| (ii) | Stabilisation<br>Manager(s) (if<br>any):                                   | [Not Applicable]/[*]                    |
| (f)  | If non-syndicated, name<br>and address of Dealer:                          | [Not Applicable]/[*]                    |
| 8.   | AMENDMENTS,<br>REPLACEMENTS OR FURTHER<br>SUPPLEMENTS TO THE<br>CONDITIONS | [Not Applicable][ <i>give details</i> ] |

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note, without interest coupons, or a Permanent Global Note, without interest coupons, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of Notes with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg from 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or a successor provision) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or a successor provision) (the "**TEFRA D Rules**") are applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the delivery (free of charge to the bearer) of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if the relevant

Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

- (a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system 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;
- (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to (or to the order of) the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, the Permanent Global Note shall only be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

#### ***Terms and Conditions applicable to the Bearer Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" above and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions relating to the Notes while in Global Form*" below.

#### ***Legend concerning United States persons***

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

#### **Registered Notes**

Each Tranche of Registered Notes will be represented by either:

- (a) Individual Certificates; or
- (b) one or more Unrestricted Registered Notes and/or one or more Restricted Registered Notes,

in each case as specified in the relevant Final Terms. A Certificate will be issued to each holder of Registered Notes in respect of its registered holding.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it

has assessed the new holding structure and custody arrangements for registered notes which Euroclear and/or Clearstream, Luxembourg had designed in cooperation with market participants and that notes to be held under the NSS would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg from 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the NSS is used.

Each Note represented by an Unrestricted Global Certificate will either be: (A) in the case of a Certificate which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository; or (B) in the case of a Certificate to be held under the NSS, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Certificate will be: (A) deposited with, and registered in the name of, a nominee, common depository or common safekeeper for Euroclear or Clearstream, Luxembourg; or (B) registered in the name of Cede & Co. (or such other entity as is specified in the relevant Final Terms) as nominee for DTC and the relevant Restricted Global Certificate will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by such clearing systems and their respective participants.

If the relevant Final Terms specifies the form of Notes as being "Individual Certificates", then the Notes will at all times be represented by Individual Certificates issued to each Noteholder in respect of their respective holdings.

#### ***Global Certificate exchangeable for Individual Certificates***

If the relevant Final Terms specifies the form of Notes as being "Global Certificate exchangeable for Individual Certificates", then the Notes will initially be represented by one or more Global Certificates each of which will be exchangeable in whole, but not in part, for Individual Certificates if the relevant Final Terms specifies "in the limited circumstances described in the Global Certificate", then:

- (a) in the case of any Global Certificate, if Euroclear or Clearstream, Luxembourg/and or DTC or any other relevant clearing system 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;
- (b) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever a Global Certificate is to be exchanged for Individual Certificates, each person having an interest in a Global Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the relevant Issuer and the relevant Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Notes represented by the Individual Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Certificate is to be exchanged for Individual Certificates, each person having an interest in the

Restricted Global Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (A) that such holder is not transferring its interest at the time of such exchange; or (B) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*" below.

Whenever a Global Certificate is to be exchanged for Individual Certificates, the relevant Issuer shall procure that Individual Certificates will 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 to the relevant Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant 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.

#### ***Terms and Conditions applicable to the Registered Notes***

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions relating to the Notes while in Global Form*" below.

#### **Summary of Provisions relating to the Notes while in Global Form**

##### ***Clearing System Accountholders***

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions to "**Noteholder**" or "**Holder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary, common depositary, sub-custodian or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Certificates, references in the Conditions to "**Noteholder**" or "**Holder**" are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which (A) in the case of a Restricted Global Certificate held (1) by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or common depositary or sub-custodian or common safekeeper, as the case may be; or (2) by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the relevant Final Terms) as nominee for DTC; and (B) in the case of any Unrestricted Global Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or common depositary or sub-custodian or common safekeeper, as the case may be.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream,



Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Notes and such obligations of the relevant Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

### ***Transfers of Interests in Global Notes and Global Certificates***

Transfers of interests in Global Notes and Global Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Company, the Bank, the Trustee, the Registrars, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*" below, transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the relevant Registrar and the Principal Paying Agent.

### ***Conditions applicable to Global Notes***

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* in the case of a Global Note or a Global Certificate, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre specified in the Final Terms; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Certificate will be made to the person, being the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

*Exercise of put option:* In order to exercise the option contained in Condition 9(f) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(g) (*Partial redemption*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Global Note or a Global Certificate and the Global Note, or the Global Certificate is, registered in the name of DTC's nominee or deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### ***Eurosystem Eligibility***

If the Global Notes or Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), on or prior to the original issue date of the Tranche, the Global Notes or Global Certificates will be delivered to a common safekeeper and the relevant Final Terms will set out whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem ("**Eurosystem eligible collateral**").

Depositing the Global Notes or the Global Certificates intended to be held as Eurosystem eligible collateral with a common safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form or to be held under the NSS (as the case may be) which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper.

Pursuant to Article 81a of Guideline (EU) 2015/510 (as amended), (i) unsecured bank bonds ("**UBBs**") that are subject to statutory, contractual or structural subordination (for example, UBBs issued by bank holding companies such as the Company) became ineligible as collateral in the first quarter of 2018 and (ii) UBBs that were eligible as collateral but no longer fulfil the new eligibility criteria have been ineligible as collateral since 1 January 2019.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Series of Senior Notes will be used for general corporate purposes of the Group, as may be more specifically set out in the Final Terms.

The net proceeds of the issue of each Series of Tier 2 Capital Notes will be used for general corporate purposes of the Group and to strengthen further the regulatory capital base of either Issuer and/or the Group, as may be more specifically set out in the Final Terms.

## INFORMATION ON THE ISSUERS

The Company was incorporated in England and Wales on 18 May 2015, with registered number 9595911, under the Companies Act 2006, as a public limited company limited by shares. On 15 October 2018, the Company 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 Company changed its name from CYBG PLC to Virgin Money UK PLC. The registered office of the Company is at Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL, United Kingdom (telephone number +44 (0)800 345 7365). The head office of the Company is at 40 St Vincent Place, Glasgow, G1 2HL, United Kingdom (telephone number +44 (0)141 248 7070).

The Bank was established in 1838, was registered as a public limited company on 11 January 1982 and changed its name to Clydesdale Bank PLC on 16 December 2005. On 21 October 2019, substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc were transferred to the Bank, pursuant to a transfer under Part VII of the FSMA. The Bank is registered with the Registrar of Companies in Scotland under registration number SC001111. The registered office of the Bank is 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom. Its telephone number is +44 (0)141 248 7070.

### Corporate Structure

The Company is the ultimate parent company of the Bank and the Group and owns 100 per cent. of the ordinary shares of the 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 2020 was 8,256 and the Group's employee engagement score, as measured by the Group's annual independent employee survey, was 79 per cent. during the financial year ended 30 September 2020.

The Bank has no material operations outside the UK. The Company does not currently hold a UK banking licence. The 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 this Base Prospectus, the Company's issued and fully paid-up capital consists of 1,439,821,178 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 this Base Prospectus that beneficially own 3 per cent. or more of its shares.

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage of Issued Share Capital</b>
Virgin Group Holdings Limited	188,083,550	13.06
Firetrail Investments Pty Limited	78,964,452	5.48
Perpetual Limited and Subsidiaries	60,787,499	4.22
Investors Mutual Limited	53,659,761	3.73
Schroders PLC	44,572,459	3.10

## **Ratings**

As at the date of this Base Prospectus, the long-term Issuer Rating assigned to the Company by Moody's was Baa3, the long-term Issuer Default Rating assigned to the Company by Fitch was BBB+ and the long-term Issuer Credit Rating assigned to the Company by S&P was BBB-.

As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Bank by Fitch was A- and the Issuer Credit Rating assigned to the Bank by S&P was A-. The Bank also has a Preliminary Senior Debt Rating of Baa1 from Moody's.



## 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 6.5 million customers via a leading digital platform and national branch network. The Group's strategic ambition is to disrupt the status quo in UK banking.

### 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 HM Treasury. 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 acquired VMH (as CYBG PLC). 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.

### 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 2020, the Company had total assets of £90,259 million of which £72,457 million was lending to customers. The customer lending comprised of £58,290 million of mortgages, £5,219 million of personal lending and £8,948 million of business lending, which includes £809m of BLS and £334m of CBILS.

Total customer deposits in the financial year ended 30 September 2020 were £67,511 million. This comprised of £25,675 million of relationship (current account and linked savings) deposits, £20,729 million of non-linked savings and £21,107 million of term deposits.

On a statutory basis, statutory loss on ordinary activities before tax was £168 million for the financial year ended 30 September 2020. Net interest income was £1,283 million and non-interest income was £160 million, resulting in a total operating income of £1,443 million for the financial year ended 30 September 2020. Total operating and administrative expenses were £1,104 million, leading to an operating profit before impairment losses of £339 million and a statutory cost-to-income ratio of 76.5 per cent. for the financial year ended 30 September 2020. Statutory impairment losses on credit exposures was £507 million for the financial year ended 30 September 2020. For the financial year ended 30 September 2020, the statutory return on assets was -0.16 per cent. and the statutory return on tangible equity (RoTE) was -6.2 per cent.

On an underlying basis, underlying profit on ordinary activities before tax was £124 million for the financial year ended 30 September 2020. Net interest income was £1,351 million and non-interest income was £191 million, resulting in a total operating income of £1,542 million for the financial year ended 30 September 2020. Net interest margin was 1.56 per cent. Total operating and administrative expenses were £917 million including £14 million of COVID-19 related costs, leading to an operating profit before impairment losses of £625 million and an underlying cost-to-income ratio of 59.5 per cent. for the financial year ended 30 September 2020. Underlying impairment losses on credit exposures was £501 million for the financial year ended 30 September 2020. For the financial year ended 30 September 2020, the underlying return on assets was 0.09 per cent. and the underlying return on tangible equity (RoTE) was 0.6 per cent.

### *The Bank*

References to the Bank financial information below are to the consolidated financial information of the Bank.

As at 30 September 2020, the Bank had total assets of £90,307 million, total customer loans of £72,443 million, total customer deposits of £67,511 million and total equity of £4,990 million.

On a statutory basis, statutory loss on ordinary activities before tax was £173 million for the financial year ended 30 September 2020. Net interest income was £1,284 million and non-interest income was £151 million, resulting in a total operating income of £1,435 million for the financial year ended 30 September 2020. Total operating and administrative expenses were £1,101 million and statutory impairment losses on credit exposures was £507 million for the financial year ended 30 September 2020.

On an underlying basis, underlying profit on ordinary activities before tax was £124 million for the financial year ended 30 September 2020. Net interest income was £1,352 million and non-interest income was £187 million, resulting in a total operating income of £1,539 million for the financial year ended 30 September 2020. Total operating and administrative expenses were £914 million and underlying impairment losses on credit exposures was £501 million for the financial year ended 30 September 2020.

### **Strategy of the Group**

The Group set out its refreshed strategy and updated medium-term strategic and financial targets at a Capital Markets Day on 19 June 2019.

The Group's strategic and financial plan sets out its ambition to complete the integration of the VMH Group, while building a simple, highly efficient, digitally-enabled business, with a significantly improved customer experience.



A phased migration of systems and customers and re-branding approach will be adopted. This will be separated into several distinct phases aligned to transaction events that seek to minimise the impact of the integration on customers and the complexity required to deliver these migrations and the re-branding.

It is intended that the "Virgin Money" brand will be established as the Group's sole brand across all product lines and channels with substantially all products bearing the Virgin Money marque following a phased re-branding approach over 2019 to 2021.

Underpinning the Group's strategic ambition to disrupt the status quo in UK banking are four strategic priorities:

1. **Pioneering growth** – The Group intends to reshape its balance sheet mix through a focus on growth in margin accretive assets and lower cost relationship deposits, supported by a differentiated customer proposition that leverages the "Virgin Money" brand, the Group's digital platform and a Group loyalty programme. The Group will not pursue low-margin, high-volume business but instead will seek to offer innovative and unique outcomes for customers through existing capabilities, new partnerships and opportunities it has with other Virgin companies.
2. **Delighted customers and colleagues** – The Group intends to deliver market-leading experiences for customers and a motivating work environment for colleagues through the deployment of new propositions and its digital capabilities. As part of this, the Group is targeting a top three position in the Competition and Markets Authority service quality indicator rankings for both Personal and Business by the end of the 2022 financial year.
3. **Super straightforward efficiency** – The Group plans to realise significant synergies as it completes the full integration of VMH as well as while building a simple, highly efficient, digitally enabled digitising and simplifying the business to drive incremental cost efficiencies. The Group intends to make every single process, experience and the language it uses straightforward.
4. **Discipline and sustainability** – The Group intends to maintain its disciplined approach to risk and the efficient use of capital to deliver sustainable shareholder returns. A key component of the Group's strategy is the application of the "Virgin Money" brand across the Group.

The impacts of COVID-19 and the associated deterioration in the UK's economic outlook represent an additional challenge, as does the ongoing lower interest rate environment. Against this backdrop, the Group believes its strategic priorities continue to be the right ones to underpin its ambition to disrupt the status quo in UK banking.

## 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.

On an IFRS 9 transitional basis as at 30 September 2020, based on £24,399 million of Risk Weighted Assets, the consolidated Group's capital position was:

- Common Equity Tier 1 ratio of 13.4 per cent.;
- Total Capital Ratio of 20.2 per cent.;
- Tier 1 Capital Ratio of 17.2 per cent.; and
- CRD IV Leverage Ratio of 4.8 per cent.

On an IFRS 9 fully loaded basis as at 30 September 2020, based on £24,246 million of Risk Weighted Assets, the consolidated Group's capital position was:

- Common Equity Tier 1 ratio of 12.2 per cent.;
- Total Capital Ratio of 19.5 per cent.;
- Tier 1 Capital Ratio of 16.0 per cent.; and
- CRD IV Leverage Ratio of 4.5 per cent.

On an IFRS 9 transitional basis as at 30 September 2020, based on £24,384 million of Risk Weighted Assets, the Bank's capital position was:

- Common Equity Tier 1 ratio of 14.4 per cent.;
- Total Capital Ratio of 20.2 per cent.;
- Tier 1 Capital Ratio of 17.1 per cent.; and
- CRD IV Leverage Ratio of 4.8 per cent.

On an IFRS 9 fully loaded basis as at 30 September 2020, based on £24,231 million of Risk Weighted Assets, the consolidated Bank's capital position was:

- Common Equity Tier 1 ratio of 13.2 per cent.;
- Total Capital Ratio of 19.5 per cent.;
- Tier 1 Capital Ratio of 16.0 per cent.; and
- CRD IV Leverage Ratio of 4.5 per cent.

### ***Liquidity***

The Group maintains a liquid asset portfolio that is primarily comprised of cash at the central banks, UK Government securities (treasury bills and 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, including most recently the Group's view of liquidity risk due to impacts of COVID-19 and the UK's withdrawal from the EU. The Group ensures a liquidity surplus is held, during normal market conditions, above the most severe of these scenarios.

As at 30 September 2020, the Group held unencumbered liquid assets of £10,778 million, a liquidity coverage ratio of 140 per cent. and a net stable funding ratio of 131 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, covered bond programmes and a global medium-term note programme).

As a participant in the BoE Sterling Monetary Framework, the Group has also accessed funding via the TFS, which matures in 2021-2022. Following its launch in April 2020, the Group has also been able to access additional funding from the Term Funding Scheme with additional incentives for SMEs ("TFSME"), 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 2020, the Group repaid £3.2 billion of its TFS drawings, leaving £4.1 billion outstanding. At the same time, the Group drew £1.3 billion from the BoE's new TFSME, extending the duration and optimising its funding flexibility to support customers through this COVID-19 stress.

Total wholesale funding reduced to £14.2 billion as at 30 September 2020 (30 September 2019: £18.5 billion), principally as a result of the growth in customer deposits. This resulted in a 7 percentage point reduction in the Group's Loan-to-Deposit to 107 per cent. as at 30 September 2020.

## DIRECTORS OF THE ISSUERS

The Directors of the Issuers, whose business addresses are Jubilee House, Gosforth, Newcastle-upon-Tyne, NL3 4PL, United Kingdom (in the case of the Company) and 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom (in the case of the Bank), their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as set out below.

Name	Position	Principal directorships / outside activities
David Bennett	Chairman	Ashmore Group PLC Paypal (Europe) S.à.r.l et Cie S.C.A. David Bennett Advisory Limited 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 HM Treasury Fintech Envoy for England
Clifford Abrahams	Executive Director and Chief Financial Officer	None
Tim Wade	Senior Independent Non-Executive Director	RBC Europe Limited Chubb Underwriting Agencies Limited
Paul Coby	Independent Non-Executive Director	Chief Information Officer of Johnson Matthey PLC
Geeta Gopalan	Independent Non-Executive Director	Wizink Bank S.A. Ultra Electronics Holdings PLC Funding Circle Holdings PLC Trustee of The Old Vic Theatre Trust 2000
Elena Novokreshchenova	Independent Non-Executive Director	Remitly U.K. Ltd
Darren Pope	Independent Non-Executive Director	Equiniti Group PLC Network International Holdings PLC Non-Executive Chairman of Silicon Valley Bank UK Branch

<b>Name</b>	<b>Position</b>	<b>Principal directorships / outside activities</b>
Amy Stirling	Non-Executive Director	Virgin UK Holdings Limited VIRGIN.COM LIMITED Virgin Management Limited Virgin Holdings Limited VEL Holdings Limited Classboss Limited Barfair Limited VM Advisory Limited RIT Capital Partners PLC Necker Holdings BVI Limited

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 Issuers 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 Issuers 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 Issuers 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 Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and HM Treasury, 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 Issuers) (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 Bank of England, (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England, (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 Company. Under such a strategy, the Company's subsidiaries would remain operational while the Company'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, tier 2 capital instruments (such as the Tier 2 Capital Notes) 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

### *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, each of the Company and the Bank 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 higher of (A) the global systemically important institutions buffer or other systemically important institutions buffer and (B) the systemic risk buffer constitute the "combined 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. Consequently, the BoE's Financial Policy Committee (the "**FPC**") would be expected to change countercyclical capital buffer requirements if it determines that the strength of the UK economy warrants such change. In December 2019, the FPC announced that the countercyclical capital buffer would rise from 1 per cent. to 2 per cent. by December 2020. However, in order to support the supply of credit expected as a result of the COVID-19 pandemic, the FPC reduced the countercyclical capital buffer to 0 per cent. on 11 March 2020 and has stated that it expects to maintain this rate for at least 12 months from that date. Due to expected minimum implementation periods, this means that any subsequent increase in the countercyclical capital buffer would not be expected to take effect until March 2022 at the earliest.

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 Company 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. In May 2020, the PRA announced that Pillar 2A capital requirements for banks would be converted from an RWA percentage into a fixed amount. This change was made on the basis that the PRA does not believe that RWAs are a good approximation for the evolution of the risks captured in Pillar 2A in a stress. 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.

Following the cancellation of the 2020 Bank of England's Annual Cyclical Scenario exercise, the Group continues to prepare for its participation in 2021.

#### *Minimum requirement for own funds and eligible liabilities*

The Issuers are subject to the BoE's minimum requirement for own funds and eligible liabilities. Capital used in meeting the Issuer's combined buffer requirements cannot be used towards meeting their MREL requirements.

In January 2021, the BoE published interim and end-state MREL for banks and building societies with a resolution entity incorporated in the UK for which an MREL has been communicated above minimum capital requirements, including the Issuers.

In 2021, the Issuers are subject to a binding interim MREL requirement of 18 per cent of risk-weighted assets, or 20.5 per cent of risk-weighted assets when including their combined buffer requirements. From 1 January 2022, the BoE expects the Issuers to meet an end-state MREL requirement of 24.8 per cent of risk-weighted assets, or 27.3 per cent of risk-weighted assets when including their combined buffer requirements.

In December 2020, the BoE published a Discussion Paper ("**DP**") that is the first part of its review of its approach to setting MREL. The DP opens a broad dialogue with stakeholders, including the UK's financial services industry, around the lessons which have been learnt for MREL policy since the publication of the Bank's MREL Statement of Policy in 2016. Given the experience of mid-tier banks of issuing MREL-eligible instruments, the focus of the DP is on these banks. As the Group is categorised as a D-SIB for MREL purposes, it is not impacted by this part of the review and has not received any extension to its end-state MREL compliance deadline.

### **1.3 UK Implementation of prudential reforms**

In November 2020, HMT, the PRA, and the FCA issued a joint statement on the implementation of prudential reforms contained in the Financial Services Bill. The joint statement noted that they are targeting an implementation date of 1 January 2022 for the Basel III reforms which make up the UK equivalent to the EU's 2nd Capital Requirements Regulation ("**CRR II**").

In February 2021, HMT issued a consultation on CRR II. This is expected to be followed by PRA consultations in the first half of 2021.

### **1.4 Basel 3.1**

In March 2020, in response to the COVID-19 pandemic, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**") announced that the implementation date for the revised Basel 3 frameworks ("**Basel 3.1**") were being delayed from 1 January 2022 to 1 January 2023.

In April 2020, HMT and the PRA issued a joint statement noting that they welcomed the announcement made by the GHOS and that they 'remain committed to the full, timely and consistent implementation of the Basel 3.1 standards and we will work together towards a UK implementation timetable that is consistent with the one year delay'.

In November 2020, HMT, the PRA, and the FCA issued a joint statement on the implementation of prudential reforms in the Financial Services Bill which confirmed that the April 2020 statement still applies.

### **1.5 Software Assets**

Final Regulatory Technical Standards ("**RTS**") specifying the prudential treatment of software assets were published in the Official Journal of the European Union and became effective on 23 December 2020 and were adopted into UK law by virtue of the EUWA. The RTS replaces the current upfront full deduction with a simple approach based on a prudential amortisation of software assets calibrated over a maximum period of three



years. On 30 December 2020, the PRA issued a statement noting its intention to consult on this treatment with a view to maintaining the earlier position whereby all software assets continue to be fully deducted from CET1. The consultation was subsequently launched on 12 February 2021. The consultation states that the PRA proposes to bring this change in as soon as possible, but will confirm timing in due course. As a result, all software assets that qualify as intangible assets under IFRS or the applicable accounting standards would be required to be deducted from CET1, in line with Basel III standards. If this treatment is implemented, this will result in a divergence between the treatment of software assets between the EU and the UK.

#### 1.6 **Banking Reform Act and Structural Reform**

The Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"), which implements the measures recommended by Sir John Vickers' Independent Commission on Banking (the "**ICB**"), received Royal Assent on 18 December 2013. The secondary legislation required under the Banking Reform Act and supplementary PRA and FCA rules came into force on 1 January 2019. The rules are typically referred to as "ring-fencing". Both the Company and the Group are in scope for ring-fencing.

Ring-fencing separates retail and business deposits held by UK banks from wholesale and investment banking activities. The Group has completed activity to achieve compliance. The implementation of ring-fencing has not resulted in materially increased compliance costs given the Group's focus on retail and business businesses. However, the introduction of ring-fenced and non-ring-fenced banks may affect the nature of competition within the UK market.

#### 1.7 **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.

#### 1.8 **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 Bank of England has made a commitment to parliament that major UK banks will be fully resolvable by 2022. To satisfy this commitment, the Bank of England and the PRA are introducing a new Resolvability Assessment Framework, with full implementation of the framework required by 2022.

The Resolvability Assessment Framework is implemented through:

- a Statement of Policy from the Bank of England, which sets out the Bank of England'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 Bank of England will assess firms against three resolvability outcomes they must meet by 2022: (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 in 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 are required to submit their first reports to the PRA by October 2021 (and every two years following) and publicly disclose their summaries by June 2022 (and 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 by 2022.

## 1.9 Leverage

Following recommendations from the FPC in 2016, the PRA introduced a UK leverage ratio framework. 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 risk-weighted assets and in 2017 was increased to 3.25 cent. of exposures (excluding central bank reserve exposures), to reflect the removal of central bank deposits from the leverage exposure measure. At least three-quarters of the leverage ratio requirement must be met with CET1 capital and up to one-quarter may be met with AT1 capital. As at 30 September 2020, the Group's leverage ratio was 4.9 per cent.

## 2. UK AND EUROPEAN BANKING AND FINANCIAL SERVICES REFORM INITIATIVES

### 2.1 The 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**") was transferred from the Office of Fair Trading (the "**OFT**") to the FCA in April 2014. 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 greater powers of enforcement than the OFT had and looks to be taking a more proactive and intrusive approach to the regulation of consumer credit. Along with other credit providers that are required to comply with the FCA requirements applicable to the provision of consumer credit, the Group may come under a greater degree of scrutiny from the FCA, incur additional compliance costs and be subject to potential penalties and other sanctions for non-compliance. 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. The FCA conducted a credit card market study (MS 14/6), published in July 2016, in which they established persistent debt as being an endemic problem for UK consumers. Following a consultation (CP 17/10) on this in 2017, the FCA published Policy Statement 18/4 in February 2018, which outlined their approach to this. This included requirements for firms to implement earlier intervention policies for customers prone to persistent debt, and provision of assistance to those customers. The Group delivered these requirements by the regulatory deadline.

In August 2020, the FCA published a report focused on relending 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 relending operations in the light of the FCA report and made any necessary changes to improve customer outcomes. The FCA will carry out further diagnostic work in 2021 to understand whether there are business models in the retail lending sectors that rely on consumers who cannot afford to repay.

### 2.2 General Data Protection Regulation

The European Commission's General Data Protection Regulation ("**EU GDPR**") came into force on 25 May 2018 and provides a single set of rules on data protection, directly applicable in all EU

Member States. The main provisions include a requirement to notify regulators of breaches within 72 hours of identification, increased sanctions including fines of up to four per cent. of an enterprise's annual worldwide turnover 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. This has significantly increased the regulatory burden in relation to the processing of personal customer, employee and other data in the course of business.

From the end of the UK-EU transition period, EU GDPR forms part of domestic law of the United Kingdom by virtue of section 3 of the EUWA and as amended by relevant UK statutory instruments. The Group has considered these amendments to ensure that its data protection compliance programme continues to be effective. In particular, the Group has made arrangements for the appointment of an EU Representative and continues to monitor regulatory developments in the UK and the EU (to the extent relevant).

### 2.3 CMA – Retail Banking Remedies and Open Banking

The CMA identified features of the personal and business current account and business lending markets that were not working well and having an adverse effect on competition. On 2 February 2017, the CMA published the CMA order which implements the remedies identified in the CMA Retail Banking Market Investigation final report. These include overdraft alerting, prompts to switch accounts, enhanced service quality and account comparison information. The Group experienced a delay of one month in the implementation of one part of the CMA order in respect of which it received a direction by the CMA. The Group has now implemented all the mandatory parts of the CMA order. Whilst not mandated to implement the Open Banking remedy element of the CMA order, the Group is working to introduce APIs to facilitate access by third party payment providers ("**TPPs**"), in line with the standards being produced by the Open Banking Implementation Entity. This will also enable the Group to adhere to requirements under the UK Payment Services Regulations (as amended) (see the paragraph entitled "*Payment Services Directive 2 ("PSD2")*" below). Aspects of the CMA Open Banking remedy may have an adverse impact on strategic positioning in relation to sales of personal current accounts. Therefore, the Group is looking to progress elements of the Open Banking remedy as part of a wider suite of digital enhancements, in addition to facilitating TPP access as required under UK Payment Services Regulations (as amended).

In November 2020, the FCA introduced changes requiring firms to permit UK-based TPPs to use an alternative to existing certificates to access customer account information from account providers or to initiate payments. This is in response to an announcement by the European Banking Authority that the certificates of UK TPPs would be revoked from the end of the transition period. The rules are in effect from the end of the transition period and firms must ensure compliance by the end of June 2021.

In July 2020, the HM Treasury published a call for evidence as part of its review of the payments landscape. This seeks feedback on proposals to facilitate the use of services such as account-to-account payments through third party Payment Initiation Services, cross-border payments, and the continued growth in use of Faster Payments.

### 2.4 Payment Services Directive 2 ("**PSD2**")

EU Member States were required to transpose PSD2 into national law by 13 January 2018. A key element of PSD2 is that it promotes the emergence of new parties, such as TPPs and requires account servicing payment providers, such as banks, to provide appropriate access and information to these new parties to enable customers to access the new and innovative services TPPs will provide (e.g. account aggregation).

HMT published the UK Payment Services Regulations ("**PSRs**") on 19 July 2017 (the PSRs came into full effect on 13 January 2018 with certain provisions having taken effect on 13 August 2017). The FCA's updated approach to regulating the PSRs and its final handbook changes were published in September 2017. The changes which were introduced are material and the

introduction of new players brings a risk of disintermediation. The Group is currently considering its strategic options in relation to the opportunities and threats presented. Other elements of PSD2, including increased security for online payment transactions and secure access to TPPs, came into force on 14 September 2019. The Group project to implement these changes included a significant programme of customer communications to ensure customers were prepared for the impact of these additional security processes and minimise the impact on customer e-commerce and online banking journeys.

## 2.5 Payment Accounts Directive

The Payment Accounts Directive ("**PAD**"), which came into force in September 2014 and was implemented in the UK by the Payment Accounts Regulations 2015 (as amended from time to time), introduced measures that banks, and other payment service providers must comply with including facilitation of account switching and ensuring basic bank accounts are available to all EU consumers. These elements were implemented on time in September 2016. The Group also implemented changes to customer-facing documents, reflecting the use of mandatory standard terminology in relation to payment accounts. The residual elements of PAD required the provision of a statement of fees for all eligible payment accounts by 31 October 2019. This deadline was met by the Group.

## 2.6 Mortgage Credit Directive

The Mortgage Credit Directive (the "**MCD**") came into effect on 20 March 2014 and Member States were required to transpose it into national law by 21 March 2016. The MCD introduced changes to the way in which residential mortgages and consumer buy-to-let mortgages were to be sold, how the annual percentage rate of interest was to be calculated, advertising rules and further requirements for qualifications. The MCD also included changes to the sales illustration for regulated mortgage contracts (changing from a Key Facts illustration to a European Standard Information Sheet), and changes designed to stop reliance on experience alone as an indicator of competency by introducing a framework to ensure all staff involved in the manufacture or granting of regulated mortgage contracts hold relevant qualifications. All elements of the MCD were implemented by their respective regulatory deadlines.

## 2.7 European Market Infrastructure Regulation

The European Market Infrastructure Regulation (EU) No 648/2012 ("**EU EMIR**") as it forms part of domestic law of the United Kingdom 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. Changes to reporting obligations came into force and were implemented on 1 November 2017.

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.

From the end of the UK-EU transition period, EU EMIR forms part of domestic law of the United Kingdom by virtue of section 3 of the EUWA and as amended by relevant UK statutory instruments. As a result 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.

## 2.8 Benchmark Regulation

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR) 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 applicable from 1 January 2018 with the exception of various provisions specified in Article 59 which have applied since 30 June 2016 and 3 July 2016. 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.

From the end of the UK-EU transition period, EU BMR forms part of domestic law of the United Kingdom by virtue of section 3 of the EUWA and as amended by relevant UK statutory instruments. As a result the Group has become subject to separate obligations regarding provision of benchmarks, contribution of input data to a benchmark and use of a benchmark under UK BMR which may diverge from the equivalent requirements under EU BMR over time.

See "*Risks relating to the Notes — Risks related to the structure of the Notes — Risks relating to Notes which are linked to benchmarks*" for information regarding risks the Group has identified in relation to benchmark reforms.

## 2.9 Securities Financing Transaction Regulation

The SFTR requires all securities financing transactions to be reported to trade repositories, places additional reporting requirements on investment managers and introduces prior risk disclosures and written consent before assets are reused. Drafted by the European Parliament in 2015 and approved in 2017, SFTR was adopted by the European Commission (EC) in December 2018.

The go live date has been implemented in stages depending on company types. Go live for banks and investment firms was in Q2 2020, with insurance companies, funds and other financial counterparties becoming subject to SFTR during Q3 and Q4 of 2020. Non-financial firms trading SFTs will be the last to fall under SFTR, with the regulation capturing them in 2021.

From the end of the UK-EU transition period, EU SFTR forms part of domestic law of the United Kingdom by virtue of section 3 of the EUWA and as amended by relevant UK statutory instruments. As a result the Group has become subject to separate reporting obligations under UK SFTR which may diverge from the equivalent requirements under EU SFTR over time. In particular, the UK has not incorporated the reporting obligation in the EU SFTR for non-financial counterparties, which has applied in the EU since January 2021, into UK SFTR.

## 2.10 High Cost Credit Review

The FCA launched its High Cost Credit Review in November 2016 to identify patterns and sources of harm to consumers across high cost credit products. It identified arranged and unarranged overdrafts as areas for further review and intervention. The FCA published its final rules for competition remedies and consulted on its pricing and repeat use remedies in December 2018. Final rules on pricing and repeat use were confirmed in June 2019. Competition remedies had an implementation deadline of 18 December 2019, with pricing and repeat use remedies to be implemented by 6 April 2020. The new rules require the Group to review the current pricing structure of overdrafts. The Group has established a project to manage these mandatory changes. This was a significant piece of work, both in terms of technology change and customer communication. An Industry Agreement around Current Account Prompts was also linked to this piece of work, and the Group implemented the required changes in advance of the 31 May 2019 implementation date. From Q2 onwards, the FCA will carry out a post-implementation evaluation of its remedies relating to the overdraft market.

## 2.11 Price Discrimination in the Cash Savings Market

The FCA published a consultation paper on 9 January 2020, in which it set out a number of proposals designed to address discrimination in the cash savings market between new and long-standing customers, who generally receive lower interest rates on their balances than those opening new savings accounts. The consultation include a proposal to introduced single easy

access rates ("**SEARs**"). SEARs are single rates of interest that would apply to all easy access cash saving accounts and easy access cash ISAs after they have been open for a set period of time but no later than the date immediately after 12 months of the account being opened. The FCA has decided to stop this consultation in November 2020 in light of the continuing impact of Covid-19 and the low-interest rate environment, but has indicated that it may revisit the proposals if it identifies consumer harm in this area in the future.

#### 2.12 **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 (see the paragraph entitled "*Price Discrimination in the Cash Savings Market*" above).

In mortgages, the FCA published the outcome of its Mortgage Market Study in March 2019 and as a result of its findings recently 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 an interim findings report 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 proposes 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 will be 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 expects to publish a Policy Statement in Q2 2021 setting out the final rules.

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 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.

#### 2.13 **Cross Border Payment Regulation II**

On 29 March 2019, Regulation (EU) 2019/518 amending the Regulation on cross-border payments ("**EU CBPR**") was published in the Official Journal, requiring Payment Service Providers to; (1) align fees for cross-border payments in euro in the EU (e.g. credit transfers, card payments, cash withdrawals) with charges for corresponding domestic payments made in the currency of the Member State; and, (2) inform consumers of the cost of a currency conversion before they make a payment abroad in a different currency to their home one. The EU CBPR forms part of domestic law of the United Kingdom by virtue of section 3 of EUWA and as amended by relevant UK statutory instruments ("**UK CBPR**"). As a result the Group has become subject to separate obligations under UK CBPR which may diverge from the equivalent requirements under EU CBPR over time. In particular, while the UK CBPR retains the transparency requirements on currency conversion charges, the equality of charges requirements are not part of the UK CBPR regime.

#### 2.14 **Contingent Reimbursement Model**

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

will offer 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. Payment Service Providers ("**PSP**") 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. Project work is underway to deliver changes required to enable Virgin Money to become a signatory to the CRM Code in the second half of 2021.

#### 2.15 **Confirmation of Payee**

Confirmation of Payee is intended to provide 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, Confirmation of Payee will introduce 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.

On 1 August 2019, the Payment Systems Regulator gave a specific direction requirement to six UK banking groups (not including the Group) to implement Confirmation of Payee by 31 March 2020, with the deadline subsequently being extended to 30 June 2020.

#### 2.16 **Financial Ombudsman Service re-definition of gross negligence related to unauthorised payments**

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.

#### 2.17 **FCA Guidance on Payment Deferrals in response to Covid-19**

In April and March 2020, the FCA issued a series of guidance for firms aimed at providing support to consumer credit customers and mortgage customers facing temporary payment difficulties due to circumstances arising out of Covid-19.

The most recent guidance came into force in November 2020 and expires on 31 July 2021, although some provisions remain in force beyond that date. The FCA expects firms to permit eligible consumer credit customers and mortgage customers to defer up to 6 monthly payments in total up to and including July 2021 (the "**Payment Deferral Guidance**"). Customers need to apply for payment deferral by 31 March 2021. The FCA also issued guidance for firms dealing with customers who are not eligible to receive payment deferrals under the Payment Deferral Guidance, and expects firms to continue to deliver short and long-term support to such customers.

Firms are also expected to permit high-cost credit customers to request a one month payment deferral up to the end of 31 March 2021 and provide tailored support for customers facing further financial difficulties following the deferral. The FCA also expects firms to provide tailored support to affected users of arranged overdrafts under its guidance published in October 2020.

The FCA has indicated that the above guidance will be kept under review and may be updated in 2021 if required. The Group has put in place systems and processes to comply with this guidance.

#### 2.18 **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 on 2 February 2021.

#### 2.19 **Guidance on fair treatment of vulnerable customers**

In 2019, the FCA launched a consultation on guidance for firms on the fair treatment of vulnerable customers. This aimed to provide regulatory clarity for firms involved in the supply of products or services to retail customers who are actually, or are potentially, vulnerable. The FCA published draft guidance in July 2020 (GC20/3) and published final guidance in February 2021. 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 will consider taking appropriate action in light of the FCA guidance.



## TAXATION

### A. United Kingdom Taxation

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of HMRC, which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes 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 may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders 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, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to their investment in the Notes, including 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.*

#### **United Kingdom Withholding Tax on United Kingdom Source Interest**

1. Any Notes issued by an Issuer which carry a right to interest will constitute "**quoted Eurobonds**" provided they either 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**") for the purposes of section 987 of the Act) or admitted to trading on a multilateral trading facility operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by an Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the FCA's official list and admitted to trading on the Main Market of the London Stock Exchange. 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 the purposes of section 987 of the Act 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 section 987 and 1005 of the Act.

2. In addition to the exemption set out above, interest on Notes issued by the Bank may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Bank is and continues to be a "bank" within the meaning of section 991 of the Act and the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act.
3. In all cases falling outside the exemptions described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to such other relief or exemption as may be available. However, such withholding or deduction will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangement the effect or intention of which is to render such Notes part of a borrowing with a total term of a year or more.

### **Other Rules Relating to United Kingdom Withholding Tax**

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element of such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders 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. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief or exemption as may be available.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer as principal debtor pursuant to Condition 17(c) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

### **B. Other Tax Considerations**

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

#### **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 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 (including by reason of a substitution of the Issuer) 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.

Noteholders 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 Noteholders should consult their tax advisers on how these rules may apply to the Issuers and to payments they may receive in connection with the Notes.**

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Company or the Bank to any one or more of Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, Lloyds Bank Corporate Markets plc, Merrill Lynch International, Morgan Stanley & Co. International plc and NatWest Markets Plc, or such other dealers as may be appointed either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Company or the Bank to, and purchased by, Dealers are set out in an amended and restated programme agreement dated 24 March 2021 (as amended, restated, modified and/or supplemented from time to time, the "**Programme Agreement**") and made between the Issuer, the Arranger and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Company or the Bank in respect of such purchase. In relation to an issuance of a particular Tranche of Notes, the relevant Issuer will enter into a Relevant Agreement (as defined in the Programme Agreement) with the relevant Dealer(s), pursuant to which the relevant Dealer(s) may be entitled in certain circumstances to be released and discharged from their obligations under the Relevant Agreement prior to the closing of the issue of the particular Tranche of Notes. Notes so subscribed under the Relevant Agreement may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Notes may also be issued by the Company or the Bank, as the case may be, through all or any of the Dealers acting as agents.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement may be terminated in relation to all or any of the Dealers by any Issuer or, in relation to itself and the Company or the Bank or both, as the case may be, by any Dealer, at any time on giving not less than 30 days' written notice.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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 in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed (and each additional Dealer named in the relevant Final Terms will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

- (a) except to the extent permitted under the TEFRA D Rules, it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person (except to the extent permitted under the TEFRA D Rules);

- (c) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of the TEFRA D Rules;
- (d) with respect to each affiliate or distributor that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's or distributor's behalf or agrees that it will obtain from such distributor for the benefit of the relevant Issuer the representations and agreements contained in such paragraphs; and
- (e) it shall obtain for the benefit of the relevant Issuer the representations, undertakings and agreements contained in paragraphs (a), (b), (c) and (d) above from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Notes.

Terms used in this section shall have the meanings given to them by the Internal Revenue Code and the regulations thereunder, including the TEFRA D Rules.

Where the rules under the TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented and agreed (and each additional Dealer named in the relevant Final Terms will be required to represent and agree) that, in connection with the original issuance of the Notes:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

Each Dealer has represented and agreed that and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it has not offered, sold or, in the case of Bearer Notes, delivered and will not offer, sell or, in the case of Bearer Notes, deliver the Notes (1) as part of their distribution at any time, or (2) otherwise until 40 days after the later of the commencement of the offering of the Notes or the relevant issue date, only in accordance with Rule 903 of Regulation S and Rule 144A or any other available exemption from registration under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates also agree that it will have sent to each dealer to which it sells Notes during the distribution compliance period other than resales pursuant to Rule 144A, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S. Notwithstanding the foregoing, Dealers nominated by the relevant Issuer may arrange, through their U.S.-registered broker dealer affiliates, for the offer and resale of Registered Notes to QIBs in the United States pursuant to Rule 144A. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Base Prospectus has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person (as defined in Regulation S), other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any person that is not a U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such person that is not a U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such person that is not a U.S. person or QIB, is prohibited.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive (EU) 2016/97, as amended or superseded, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **Prohibition of Sales to UK Retail Investors:** unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;
- (b) **No deposit-taking:** in relation to any Notes issued by the Company having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Company;
- (c) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not, or in case of the Bank, would not, if it was not an authorised person, apply to the relevant Issuer; and
- (d) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, 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 Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (1) to "professional investors" as defined in the SFO and any rules made under the SFO; or (2) 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(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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.

### Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with

the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities or securities-based derivatives contracts (each term as defined in section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **General**

With the exception of the approval by the FCA of this Base Prospectus as a base prospectus issued in compliance with the UK Prospectus Regulation, no representation is made that any action has been or will be taken in any country or jurisdiction by the Company, the Bank or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, or distribute such offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a



supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to the Base Prospectus.

Each Issuer has given an undertaking to the Dealers in connection with the listing of any Notes on the Official List to the effect that if after preparation of the Base Prospectus for submission to the FCA it becomes aware that there is a significant new factor, material mistake or inaccuracy relating to the information contained in the Base Prospectus published in connection with the admission of any of the Notes to the Official List, it shall give to each Dealer full information about such change or matter and shall publish a supplemental Base Prospectus as may be required by the FCA, under the UK Prospectus Regulation and shall otherwise comply with the UK Prospectus Regulation in that regard and shall supply to each Dealer such number of copies of the supplementary Base Prospectus as it may reasonably request.

## TRANSFER RESTRICTIONS

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (a) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (i) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (ii) it is not an affiliate of the Company or the Bank or a person acting on behalf of such an affiliate;
- (b) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (i) in an offshore transaction to persons that are not U.S. persons occurring outside the United States in accordance with Rule 903 or Rule 904 of Regulation S;
  - (ii) to the relevant Issuer; or
  - (iii) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of one or more QIBs,in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (c) it understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION UNDER THE SECURITIES ACT."; and
- (d) it understands that the Company, the Bank the Trustee, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

On or prior to the 40<sup>th</sup> day after the later of the commencement of the offering of the Notes or the relevant issue date, Notes represented by an interest in an Unrestricted Global Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Certificate only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 to the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. After such 40<sup>th</sup> day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described above under "*Forms of the Notes*".

Notes represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global

Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 to the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Certificate and become an interest in a Note represented by a Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Certificate.

#### **Rule 144A Notes**

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser is (1) a QIB, (2) acquiring the Notes for its own account or for the account of one or more QIBs, (3) not formed for the purpose of investing in the Notes or the Company or the Bank and (4) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Company or the Bank or any of their respective affiliates, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (c) the purchaser understands that the Restricted Global Certificate and any restricted Individual Certificate (a "**Restricted Individual Certificate**") will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE COMPANY AND THE BANK THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (2) TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION

STATEMENT UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE OR (5) TO THE COMPANY, THE BANK OR THEIR RESPECTIVE AFFILIATES.

- (d) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (e) the purchaser understands that the Company, the Bank, the Trustee, the Registrars, the Dealers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Certificate or a Restricted Individual Certificate, or upon specific request for removal of the legend, the relevant Issuer will deliver only a Restricted Global Certificate or one or more Restricted Individual Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the relevant Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the relevant Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in an Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Company (formerly CYBG PLC) on 25 January 2017. The update of the Programme was authorised by resolutions of the Board of Directors of each of the Company and the Bank on 23 November 2020. The accession by the Bank to the Programme was authorised by resolutions of the Board of Directors of the Bank on 28 November 2018. Each Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme and each Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. The price of a Series of Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest, if any). The admission of the Programme to trading on the Main Market and the ISM is expected to be granted on or around 24 March 2021, each for a period of 12 months. Any Series of Notes intended to be admitted to trading on either the Main Market or the ISM will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms or relevant Pricing Supplement, as applicable, and any other information required by the London Stock Exchange, subject to the issue of the Global Note or Global Certificate representing Notes of that Series. If such Global Note is not issued, the issue of such Notes may be cancelled. Prior to admission to trading, dealings in the Notes of the relevant Series will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

### Legal 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*" on pages 30 to 31, 31 to 32 and 32 to 33 respectively, of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers are aware), which may have or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Group or each of the Issuers and its respective subsidiaries.

### Significant/Material Change

4. There has been no significant change in the financial position or financial performance of either of the Issuers or the Group since 30 September 2020, being the date of each Issuer's last published consolidated annual financial statements.
5. There has been no material adverse change in the prospects of either of the Issuers since 30 September 2020, being the date of each Issuer's last published consolidated annual financial statements.

### Auditors

6. The annual consolidated accounts of the Company and the Bank for the years ended 30 September 2019 and 30 September 2020 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 may be inspected during normal business hours at the specified office of the Company, at Jubilee House, Gosforth, Newcastle-upon-Tyne, NL3 4PL, United Kingdom, at the specified office of the Bank, at 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom, and at the specified office of the Principal Paying Agent, at Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB, United Kingdom, for 12 months from the date of this Base Prospectus. These documents shall also be available in electronic form at <https://www.virginmoneyukplc.com/investor-relations/> and, in the case of (p) below at <http://www.londonstockexchange.com/exchange/news/market-news/market-news- home.html>:
- (a) the Articles of Association of each Issuer;
  - (b) the First Quarter 2021 Trading Update;
  - (c) the 2020 Interim Financial Report;
  - (d) the 2020 Company Audited Financial Statements;
  - (e) the 2020 Company Risk Report;
  - (f) the 2020 Company Financial Performance Measures;
  - (g) the 2020 Company Glossary;
  - (h) the 2019 Company Audited Financial Statements;
  - (i) the 2019 Company Risk Report;
  - (j) the 2020 Bank Audited Financial Statements;
  - (k) the 2020 Bank Risk Report;
  - (l) the 2019 Bank Audited Financial Statements;
  - (m) the 2019 Bank Risk Report;
  - (n) the 2020 Conditions, 2019 Conditions and the 2018 Conditions;
  - (o) the Trust Deed (which contains the forms of Notes in global and definitive form);
  - (p) the Agency Agreement;
  - (q) the current Base Prospectus in respect of the Programme;
  - (r) any supplement or drawdown prospectus published since the most recent base prospectus was published and any documents incorporated therein by reference; and
  - (s) any Final Terms issued in respect of Notes admitted to listing and/or trading by the listing authority and/or stock exchange since the most recent base prospectus was published.

## Clearing of the Notes

8. The Notes may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems and DTC (which are entities in charge of keeping the records). The common code, International Securities Identification Number (an "ISIN"), CUSIP, Financial Instrument Short Name ("FISN") and Classification of Financial Instruments (a "CFI") code (as applicable) for **each** Series of Notes allocated by Clearstream, Luxembourg and Euroclear or DTC will be contained in the relevant Final Terms. The

relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, United States of America.

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

9. The following legend will appear on all Permanent Global Notes with maturities of more than 365 days and on all Definitive Notes, Coupons and Talons: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code*".

#### **Issue Price and Yield**

10. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different **Tranches** of a Series of Notes, the purchase price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. The yield of each Tranche of Notes set out in the relevant Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

#### **Dealers Transacting with the Issuers**

11. Certain of the Dealers 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 relevant Issuer and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the relevant 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 Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the relevant Issuer or the relevant Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the relevant Issuer routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### **Issuer website**

12. The Issuers' websites are: <https://www.virginmoneyukplc.com/> and <https://secure.cbonline.co.uk/>. Unless specifically incorporated by reference into this Base Prospectus, information contained on either of these websites does not form part of this Base Prospectus.

**Validity of prospectus and prospectus supplements**

13. For the avoidance of doubt, the Issuers shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

**Issuer LEIs**

14. The Company: 213800ZK9VGCYYR6O495
15. The Bank: NHXOBHMY8K53VRC7MZ54



## PRINCIPAL OFFICES OF THE ISSUERS

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Clydesdale Bank PLC  
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United Kingdom

## TRUSTEE

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United Kingdom

## PRINCIPAL PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT

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*To the Dealers:*

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*To the Issuers as to Scottish law:*

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