



COVENTRY BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1986)

£5,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Prospectus (the “**Programme**”), Coventry Building Society (the “**Issuer**”, or the “**Society**”, which expressions shall include any successor or substitute (see Condition 12)), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “**Notes**” which expression shall include Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes (each as defined herein)). The aggregate nominal amount of Notes outstanding will not at any time exceed £5,000,000,000 (or the equivalent in other currencies and subject to increase as provided herein).

This Prospectus has been approved by the Financial Conduct Authority (the “**FCA**”) as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such 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 Prospectus. Investors should make their own assessment as to the suitability of investing in such Notes. This Prospectus is valid for a period of 12 months from the date of its approval.

Applications have been made for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s main market (the “**Market**”). The Market is a United Kingdom (the “**UK**”) regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

References in this Prospectus to Notes being “listed” (and all related references) shall (other than as specified in the section headed “*United Kingdom Taxation*”) mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Senior Preferred Notes and any Coupons relating thereto will constitute “ordinary non-preferential debt” for the purposes of (i) the Building Societies Act 1986, as amended, (ii) the Insolvency Act 1986, as amended or superseded from time to time (the “**Insolvency Act**”) and (iii) any other law or regulation from time to time which is applicable to the Issuer and relevant for determining the rights of members and creditors of the Issuer in a winding up or dissolution of the Issuer (together, the “**Ranking Legislation**”). The Senior Non-Preferred Notes and any Coupons relating thereto will constitute “secondary non-preferential debt” for the purposes of the Ranking Legislation. The Subordinated Notes and any Coupons relating thereto will constitute “tertiary non-preferential debt” for the purposes of the Ranking Legislation.

The minimum specified denomination of all Notes issued under this Programme shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Tranches of Notes (as defined in “*Overview of the Programme – Method of Issue*”) to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated

as having been issued or endorsed by a credit rating agency established in the UK and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”) will be disclosed in the relevant Final Terms.

As at the date of this Prospectus, the Issuer has been assigned: (i) an “A2” rating for its senior unsecured debt, a “Baa1” rating for its junior senior unsecured debt and a “Baa1” rating for its subordinated debt by Moody’s Investors Service Limited (“**Moody’s**”); and (ii) an “A-” rating for its senior non-preferred long-term debt, an “A” rating for its senior preferred long-term debt and an “F1” rating for its senior preferred short-term debt by Fitch Ratings Ltd (“**Fitch**”). Moody’s and Fitch are rating agencies established in the UK and registered under the UK CRA Regulation and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). The ratings issued by Moody’s and Fitch have been endorsed by, respectively, Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Each of Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such each of Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. 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.

Amounts payable on Floating Rate Notes (as defined herein) may be calculated by reference to certain reference rates as specified in the relevant Final Terms (as defined herein). Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks maintained by the FCA in accordance with Article 36 of the UK Benchmarks Regulation. Not every reference rate will fall within the scope of the UK Benchmarks Regulation. Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

Arranger

HSBC

Dealers

Barclays

BNP PARIBAS

Commerzbank

HSBC

**NatWest Markets
Plc**

This Prospectus comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation and for the purpose of giving information with regard to the Issuer and its Subsidiaries (as defined under “*Coventry Building Society – Subsidiaries*”) (together, the “**Group**”) and the Notes, which according to the particular nature of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses, financial position and prospects of the Issuer, the rights attaching to the Senior Preferred Notes, the Senior Non-Preferred Notes and the Subordinated Notes, the reasons for the issuance of the relevant Notes and its impact on the Issuer.

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

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

Each Series (as defined under “*Overview of the Programme – Method of Issue*”) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”) (temporary Global Notes and permanent Global Notes are referred to collectively as “**Global Notes**” and each as a “**Global Note**”). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Series or Tranche, as applicable, to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates (“**Global Certificates**”). If a Global Certificate is held under the New Safekeeping Structure (the “**NSS**”), the Global Certificate will be delivered on or prior to the original issue date of the relevant Series or Tranche, as applicable, to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Series or Tranche, as applicable, with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depository**”).

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Summary of Provisions Relating to the Notes while in Global Form*”.

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

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the

Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Notes in bearer form and Notes in registered form which are exchangeable for Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*”.

IMPORTANT – 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: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of 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 will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms in respect of any Notes will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should

take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

As the Notes may not be a suitable investment for all investors, each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) 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;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

Some Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

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

To the fullest extent permitted by law, none of the Dealers, the Arranger, the Trustee or the Agents accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by,

or on behalf of, the Arranger, a Dealer, the Trustee or an Agent in connection with the Issuer or the issue and offering of the Notes. The Arranger, each Dealer, the Trustee and each Agent 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 Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers, the Trustee or the Agents that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arranger, the Trustee or the Agents.

In connection with any Tranche of Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes (each as defined in “*Overview of the Programme – Method of Issue*”), one or more of the Dealers may act as stabilisation manager (each a “**Stabilisation Manager**”). References in the next paragraph to “the issue of any Tranche” are to each Tranche in relation to which one or more Stabilisation Manager(s) is appointed.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes 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 final terms of the offer of the relevant Tranche 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “**pounds**”, “**penny**”, “**sterling**” and “**£**” are to the currency of the UK, references to “**€**” and “**euro**” are to the single currency of those member states of the European Union (the “**EU**”) participating in the Third stage of European Economic and Monetary Union from time to time, references to the “**Eurozone**” mean the region comprised of the countries whose lawful currency is the euro, references to “**yen**”, “**JPY**” and “**¥**” refer to the lawful currency for the time being of Japan and references to the “**Act**” are to the Building Societies Act 1986, which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such statutory modifications or re-enactment.

FORWARD LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute “forward-looking statements”. Forward-looking statements provide the Issuer’s current expectations or forecasts of future events. Forward-looking statements include statements about the Issuer’s expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Certain words including “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intend”, “may”, “on-going”, “plan”, “potential”, “predict”, “project”, “will”, “should” or “schedule”, and similar words or expressions or the negatives of those word or expressions, may identify forward-looking statements. However, the absence of those words or phrases does not necessarily mean that a statement is not forward-looking.

In addition, all statements other than statements of historical facts included in this Prospectus, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Issuer and the plans and objectives of the Issuer for its future operations (including development plans and objectives relating to the Issuer’s operations), are forward-looking statements.

Investors are cautioned that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Issuer to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous estimates and assumptions regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. Any forward-looking statements in this Prospectus speak only as of the date of this Prospectus, reflect the Issuer’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer’s operations, results of operations, growth strategy and liquidity. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, those described in “*Risk Factors*” below. All forward-looking statements made in this Prospectus are qualified by these cautionary statements.

The Prospectus may also contain certain forward-looking statements with respect to the financial position, results of operations and businesses of the Issuer and The Co-operative Bank Holdings p.l.c (“**Co-op Bank**”) and its subsidiaries following the Acquisition Announcement (as defined below). Any decision taken in relation to the Acquisition (as defined below) should only be taken by reference to the information set out in the Acquisition Announcement.

None of the Issuer or any employees and agents of the Issuer assumes: (i) any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based or (ii) any liability in the event that any of the forward-looking statements do not materialise or turn out to be incorrect. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by these cautionary statements.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have in each case been previously published or are published simultaneously with this Prospectus and which have been approved by or filed with the FCA:

1. the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2022, together with the notes thereto and the audit report thereon, as set out on the following pages of the Annual Report & Accounts of the Issuer for the year ended 31 December 2022 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/financial-results/2022/annual-report-and-accounts-2022.pdf>):

Information incorporated by reference	Page(s)
Audited consolidated financial statements	138-141
Notes to the audited consolidated financial statements	142-192
Independent auditors' report	128-137

2. the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2023, together with the notes thereto and the audit report thereon, as set out on the following pages of the Annual Report & Accounts of the Issuer for the year ended 31 December 2023 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/financial-results/2023/annual-report-and-accounts-2023.pdf>):

Information incorporated by reference	Page(s)
Audited consolidated financial statements	116-191
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3. the unaudited consolidated interim financial statements of the Issuer for the six month period ended 30 June 2024, together with the review report thereon, as set out on the following pages of the Interim Financial Report of the Issuer for the six month period ended 30 June 2024 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/financial-results/2024/2024-interim-report.pdf>):

Information incorporated by reference	Page(s)
Unaudited consolidated interim financial statements	13-16
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4. the joint statement regarding the cash acquisition of Co-op Bank by the Issuer published by the Issuer through the Regulatory News Service of the London Stock Exchange on 24 May 2024 (available at <https://www.londonstockexchange.com/news-article/BG64/joint-statement-regarding-cash-acquisition/16486385>) (the “**Acquisition Announcement**”), excluding the first bullet point under paragraph 2 titled “*Strategic rationale*”.

5. the following previous Terms and Conditions relating to the Programme:

- a. the Terms and Conditions contained on pages 26 to 57 of the Prospectus dated 28 October 2016 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/investor-relations/funding-programmes/emtn-reports/CBS-Base-Prospectus-28-October-2016.pdf>);
- b. the Terms and Conditions contained on pages 34 to 73 of the Prospectus dated 9 September 2020 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/investor-relations/funding-programmes/emtn-reports/CBS-Base-Prospectus-9-September-2020.pdf>); and
- c. the Terms and Conditions contained on pages 51 to 103 of the Prospectus dated 4 August 2023 (available at <https://www.coventrybuildingsociety.co.uk/content/dam/cbs/member/pdfs/investor-relations/funding-programmes/emtn-reports/base-prospectus-2023.pdf>).

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

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

Those parts of the documents incorporated by reference which are not specifically incorporated by reference in this Prospectus in the cross-reference table above are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

SUPPLEMENTAL PROSPECTUS

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Article 23(1) of the UK Prospectus Regulation, the Issuer will prepare and make available a supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the FCA and Article 23(1) of the UK Prospectus Regulation.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to information contained in this Prospectus which may affect the assessment of any Notes whose inclusion in this Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, profits and losses, financial position and prospects of the Issuer, and the rights attaching to the Senior Preferred Notes, the Senior Non-Preferred Notes and the Subordinated Notes, and the reasons for the issuance of the relevant Notes and its impact on the Issuer, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent offering of the Senior Preferred Notes, the Senior Non-Preferred Notes and the Subordinated Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

ALTERNATIVE PERFORMANCE MEASURES

The Prospectus includes certain data which the Group considers to constitute alternative performance measures (“APMs”) for the purposes of the ESMA Guidelines on Alternative Performance Measures.

The Group believes that these APMs provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business over different periods of time, and between the Group and the average industry standards.

These APMs are not defined by, or presented in accordance with, International Financial Reporting Standards (the “IFRS”) and are not measurements of the Group’s operating performance under IFRS. These APMs should not be considered in isolation from, or as alternatives to, any measures of performance under IFRS.

APM	Definition	Rationale for Use
Net interest margin	Net interest income divided by average total assets.	Performance measure
Average total assets	The average of Total assets as at the most recent financial year end and the preceding financial year end.	Performance measure
Management expenses to mean total assets	Also referred to as costs to mean total assets. The sum of Administrative expenses, Amortisation of intangible assets and Depreciation of property, plant and equipment divided by average total assets.	Performance measure
Cost to income ratio	Total income divided by the sum of Administrative expenses, Amortisation of intangible assets and Depreciation of property, plant and equipment.	Performance measure
Liquidity (as a percentage of SDL)	Cash and balances with the Bank of England, Loans and advances to credit institutions and Debt securities divided by the sum of Shares, Deposits from banks, Other deposits, Amounts owed to other customers, and Debt securities in issue.	Performance measure

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OVERVIEW OF THE PROGRAMME

Words and expressions defined or used in “*Terms and Conditions of the Notes*” below shall have the same meaning in this overview.

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer	Coventry Building Society
Description	Euro Medium Term Note Programme
Issuer Legal Entity Identifier (LEI)	2138004G59FXEAZ6IO10
Website of the Issuer	https://www.coventrybuildingsociety.co.uk/
Size	Up to £5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement.
Arranger	HSBC Bank plc
Dealers	Barclays Bank PLC BNP PARIBAS Commerzbank Aktiengesellschaft HSBC Bank plc NatWest Markets Plc
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	HSBC Corporate Trustee Company (UK) Limited
Issuing and Paying Agent	HSBC Bank plc
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will

be completed in final terms to this Prospectus (the “**Final Terms**”).

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Notes

Each Series of Notes may be issued:

- (i) in bearer form and in registered form (“**Exchangeable Series**”);
- (ii) in bearer form (“**Bearer Series**”); or
- (iii) in registered form (“**Registered Series**”).

Notes in bearer form (“**Bearer Notes**”) comprised in an Exchangeable Series (“**Exchangeable Bearer Notes**”) are exchangeable for Notes in registered form (“**Registered Notes**”) and Registered Notes comprised in an Exchangeable Series (“**Exchangeable Registered Notes**”) are exchangeable for Exchangeable Bearer Notes.

Registered Notes comprised in a Registered Series may not be exchanged for Bearer Notes and Bearer Notes comprised in a Bearer Series may not be exchanged for Registered Notes.

Each Tranche of Bearer Series and Bearer Notes comprised in a Tranche of an Exchangeable Series will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have a stated maturity of more than one year and are being issued in compliance with the D Rules (as defined in “*Overview of the Programme – Selling Restrictions*”), otherwise each Tranche of a Bearer Series and Bearer Notes comprised in a Tranche of an Exchangeable Series will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of nominees or a common nominee for one or more clearing systems are referred to as “**Global Certificates**”.

Clearing Systems

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes

On or before the issue date for each Tranche, if the relevant Global Note is an NGN or the relevant Global Certificate is held under the NSS, such Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the

Global Certificate representing Registered Notes or Exchangeable Registered Notes may be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg. Global Notes which are in CGN form or Global Certificates which are not held under the NSS may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities

Subject to compliance with all relevant laws, regulations and directives, (i) the Senior Preferred Notes may only have a stated maturity in excess of one month, (ii) the Senior Non-Preferred Notes may only have a stated maturity in excess of one year and (iii) the Subordinated Notes may only have a stated maturity of five years or more.

Denomination

The minimum specified denomination of each Note shall be not less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Resettable Notes

Interest will be payable in arrear on the dates specified in the Final Terms at the initial rate specified in the Final Terms, and thereafter the rate may be reset with respect to a specified time period by reference to the prevailing Mid-Swap Rate or the Benchmark Gilt Rate. The rate of interest may be reset on more than one occasion.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) 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 ISDA Definitions; or
- (ii) by reference to EURIBOR or SONIA as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to

time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. In no circumstances will the Notes bear negative interest. All such information will be set out in the relevant Final Terms.

Benchmark Discontinuation

If a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Notes and, potentially, the application of an adjustment spread (which could be positive or negative or zero)). See “*Terms and Conditions of the Notes – Interest and other Calculations – Benchmark discontinuation*”.

Early Redemption

The Final Terms relating to each issue of Notes will state whether such Notes can be redeemed prior to their stated maturity following the occurrence of a Capital Disqualification Event (in the case of Subordinated Notes only) or a Loss Absorption Disqualification Event (in the case of Senior Non-Preferred Notes where “*Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption*” is expressed to be “Applicable” in the applicable Final Terms) or following any change in or amendment to the laws or regulations of the United Kingdom, where the Issuer is required to pay additional amounts as described in Condition 8, or (in the case of Senior Non-Preferred Notes or Subordinated Notes only) the Issuer would not be entitled to claim a deduction in respect of any interest payable in respect of the Notes or the amount of any such deduction would be materially reduced, as further described in “*Terms and Conditions of the Notes – Redemption, Purchase, Substitution, Variation and Options – Redemption for Taxation Reasons*”. The relevant Final Terms will specify the basis for calculating any redemption amounts payable.

Optional Redemption

The Final Terms relating to each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

Pre-conditions to Redemption, Purchase, Substitution or Variation

The early redemption or purchase of Subordinated Notes will be subject to additional requirements as described in “*Terms and Conditions of the Notes – Redemption, Purchase, Substitution, Variation and Options – Pre-conditions to Redemption or Purchase of Subordinated Notes*”.

The early redemption, purchase, substitution or variation of Senior Non-Preferred Notes will be subject to additional requirements as described in “*Terms and Conditions of the Notes – Redemption, Purchase, Substitution, Variation and Options – Pre-conditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*”.

Substitution and Variation in respect of Senior Non-Preferred Notes

If so specified in the relevant Final Terms for a Series of Senior Non-Preferred Notes, upon the occurrence of a Loss Absorption Disqualification Event, the Issuer may, subject to certain conditions and without the consent of the Noteholders, either substitute all (but not some only) of the relevant Series of Senior Non-Preferred Notes for, or vary the terms of such Series of Senior Non-Preferred Notes so that they remain or become, Loss Absorption Compliant Notes (as defined in the Terms and Conditions of the Notes).

Status of the Senior Preferred Notes

The Senior Preferred Notes and the Coupons relating to them will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject to the provisions of Condition 4 and to the Ranking Legislation) will constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes and any Coupons relating to them will rank *pari passu* without any preference among themselves. See Condition 3(a) for further information.

Status of the Senior Non-Preferred Notes

The Senior Non-Preferred Notes may only be issued on terms such that they (A) have an original contractual maturity of at least one year and (B) are not derivatives and contain no embedded derivatives for the purposes of Section 387A(3)(b)(ii) of the Insolvency Act (and the relevant section of any other Ranking Legislation). The Senior Non-Preferred Notes and the Coupons relating to them will be direct and unsecured obligations of the Issuer and, subject to the Ranking Legislation, will constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any Coupons relating to them will rank junior to the Senior Preferred Notes and any Coupons relating to them, and rank *pari passu* without any preference among themselves. See Condition 3(b) for further information.

Status of the Subordinated Notes

The Subordinated Notes and any Coupons relating to them will be direct and unsecured obligations of the Issuer and, subject to the Ranking Legislation, will constitute tertiary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Subordinated Notes and any Coupons relating thereto will rank junior to the Senior Non-Preferred Notes and any Coupons relating thereto. The Subordinated Notes and the Coupons relating to them will rank *pari passu* without

any preference among themselves. See Condition 3(c) for further information.

No set-off	Subject to applicable law, no holder of a Senior Non-Preferred Note, a Subordinated Note or a Coupon relating thereto (or, in each case, any interest therein) will be permitted to exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with any such Note or Coupon.
Negative Pledge	Applicable to Senior Preferred Notes only. See “ <i>Terms and Conditions of the Notes – Negative Pledge</i> ”.
Cross Default	Applicable to Senior Preferred Notes only. See “ <i>Terms and Conditions of the Notes – Events of Default – Senior Preferred Notes: Enforcement</i> ”.
Rating	<p>The Issuer has been assigned: (i) an “A2” rating for its senior unsecured debt, a “Baa1” rating for its junior senior unsecured debt and a “Baa1” rating for its subordinated debt by Moody’s; and (ii) an “A-” rating for its senior non-preferred long-term debt, an “A” rating for its senior preferred long-term debt and an “F1” rating for its senior preferred short-term debt by Fitch.</p> <p>Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Withholding Tax	<p>All payments of principal and interest in respect of the Notes and Coupons will be made free and clear of withholding taxes of the UK unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions:</p> <ul style="list-style-type: none">(i) in the case of Senior Preferred Notes, in respect of payments of interest or principal; or(ii) in the case of Subordinated Notes and Senior Non-Preferred Notes, in respect of payments of interest only, <p>pay such additional amounts as shall result in receipt by the Noteholder or Couponholder of the amounts which would otherwise have been received by it in respect of the Notes and Coupons had no withholding or deduction been made, all as described in “<i>Terms and Conditions of the Notes – Taxation</i>”.</p>

For the avoidance of doubt, in the case of Subordinated Notes and Senior Non-Preferred Notes, the Issuer will not pay any such additional amounts in respect of principal.

Governing Law

English.

Recognition of 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 Issuer and any Noteholder or Couponholder (or the Trustee on behalf of any Noteholder or Couponholder), by its acquisition of any Note or Coupon (or any interest therein), each Noteholder and Couponholder will acknowledge and accept that the amounts due arising under the Notes and the Coupons may be subject to the exercise of the UK Bail-in Power, and will acknowledge, accept, consent to, and agree to be bound by the effect of the exercise of the UK Bail-in Power by the Resolution Authority, all in accordance with, and as more fully described in, Condition 18.

Listing

Application will be made to the FCA for the Notes to be listed on the Official List and to the main market of the London Stock Exchange for the Notes to be admitted to trading.

Selling Restrictions

The United States, the UK, the EEA, Singapore and Japan. See “*Subscription and Sale*”.

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

RISK FACTORS

Investors should ensure that they understand the risks of investing in the Notes issued under the Programme before they make their investment decision. They should make their own independent decision whether to invest in the Notes and decide whether an investment in such Notes is appropriate or proper based upon their own judgement and upon advice from such advisers as they consider necessary.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making any investment decision.

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

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

Risks relating to the Issuer's business and financial performance

In respect of the proposed Acquisition, please refer to FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS RELATING TO THE ACQUISITION below.

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

The Issuer is directly and indirectly subject to risks arising from general economic conditions in the UK and elsewhere, and to the state of global financial markets both generally and as they specifically affect financial institutions. The impact of global stresses on the UK economy (in particular, those caused by a pandemic such as the coronavirus ("Covid-19"), rising inflation and global energy prices, stress within the Eurozone or the global banking sector, and increased geopolitical tensions and conflicts such as the Russia-Ukraine conflict) could adversely affect the Issuer, including by exposing it to potential losses in its lending operations and on its portfolio of treasury assets and through adverse impacts on the cost and level of competition for retail funding, and on the cost and availability of wholesale funding, with a resultant impact on the Issuer's net interest margin.

Forecasts by the Bank of England suggest that the UK is facing a period of modest economic growth, reflecting, among other factors, the impact of higher interest rates and of higher prices after a period of high inflation, alongside residual impacts of the UK's departure from the EU and the Covid-19 pandemic and associated lockdowns. There is a risk that any slowdown in economic activity in the Eurozone economy could contribute to a slowdown in economic activity in the UK as the EU is the UK's largest export market, a risk that could be exacerbated by any additional barriers to trading or other economic activity resulting from the UK's withdrawal from the EU. Domestically, rises in energy prices, general inflation and higher interest rates have placed pressure on disposable incomes and there is a risk that, if levels of unemployment increase and inflation and higher interest rates persist, and/or the economy contracts or sees a period of low growth, there could be further pressure on real disposable incomes and the ability of consumers to fulfil obligations on borrowings.

The exact nature of the risks that the Issuer faces from external economic factors and the manner and the extent to which they ultimately will impact the Issuer is difficult to predict and to guard against in light of: (i) the inter-

related nature of the risks involved; (ii) the difficulties in predicting events; and (iii) the fact that the risks are totally or partially outside of the control of the Issuer. Therefore, no assurance can be given that the Issuer will not be adversely affected by any external economic factors.

Any and all such events described above could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings (including potential changes of outlooks or ratings), as well as on its customers, borrowers, counterparties, employees and suppliers.

Changes in interest rates could adversely impact the Issuer's financial and operational performance

Consumers in the UK remain heavily indebted by historical standards, and this could lead to a vulnerability to increases in unemployment, inflation, higher interest rates and/or falling house prices.

Increased unemployment and cost-of-living pressures (including, but not limited to, higher interest rates and higher energy costs) could lead to borrowers being unable to service their loan payments in a timely fashion, which would result in higher levels of arrears in the Issuer's lending operations, which, in turn, could lead to an increase in the Issuer's impairment charges in respect of its lending portfolio.

After a prolonged period of low rates, interest rates in the UK have risen significantly. Interest rates may see further increases and/or may stabilise at a higher level than seen in recent years. Having slowed in 2022 as a result of inflation triggered by the invasion of Ukraine and legacy effects from the Covid-19 pandemic on global supply chains and domestic political uncertainty, the UK economy saw only very modest growth in 2023, and reported a reduction in gross domestic product in the third and fourth quarters of 2023. Most forward looking expectations for the UK are for a period of relatively low economic growth. UK inflation peaked at 11.1 per cent. in October 2022 before falling slightly to 10.5 per cent. in December 2022, and whilst inflation has followed a broadly downward trend since then, it remains above the Bank of England's 2 per cent. target. Central banks around the world responded to high inflation by increasing interest rates in order to reduce demand from consumers and businesses. The Bank of England increased its base rate eight times in 2022 to 3.50 per cent. from 0.25 per cent. in 2021, with four further rises in 2023 taking the base rate to 5.25 per cent. A reduction in the base rate by 0.25 per cent. to 5.00 per cent. took place in July 2024, and as at the date of this Prospectus the base rate remains 5.00 per cent. Any increase in interest rates, or a period in which rates remain at or near current levels (which remain high in comparison to recent years), may have an impact on the payment obligations of borrowers, either where their loans with the Issuer are linked to the Bank of England base rate or are otherwise variable in nature, where their loans have come to the end of an initial fixed rate period or where borrowers have other commitments which are subject to variable interest rates. Borrowers may have become accustomed to the low interest rate environment, and will need to adjust spending behaviours to respond to the increasing cost of borrowing, which may be challenging for some borrowers. A significant portion of the Issuer's outstanding mortgage loan products are potentially subject to changes in interest rates, and as such these borrowers are exposed to the risk of increased monthly payments as and when their mortgage interest rate adjusts upward. In an increasing interest rate environment, borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates (and any decline in housing prices or a change in borrowers' financial circumstances may also leave borrowers with limited options to refinance borrowings with another lender), which could lead to an increase in arrears in the Issuer's retail lending portfolio as well as an increase in the Issuer's retail loan impairment charges. These events, alone or in combination, may contribute to higher delinquency rates and losses for the Issuer which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

In addition, cuts in interest rates (in particular the Bank of England base rate) and any subsequent period of very low interest rates may have the effect of reducing the net interest margin of the Issuer, and so adversely

impacting the profitability of the Issuer. If these circumstances prevail for a significant period of time, this may have an impact on the Issuer's results of operations, financial condition and prospects.

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

Liquidity risk is the risk that an institution may not have sufficient funds at any time to make full payment in respect of liabilities falling due at that time. Financial institutions such as the Issuer are subject to liquidity risk as an inherent part of their business given the maturity mismatch between relatively short-dated funding and longer-dated mortgage assets.

The Issuer raises funds principally through accepting retail deposits and issuing bonds in the wholesale funding market. If access to liquidity is constrained for a prolonged period of time, the Issuer's cost of funding would increase as competition for retail deposits would intensify and the cost of accessing the wholesale markets would rise. This could adversely affect the Issuer's profitability.

These risks can be exacerbated by enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide events. There is also a risk that the funding structure employed by the Issuer may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for the Issuer.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside of the Issuer's control, such as general economic and market conditions, the confidence of retail depositors in the economy and the UK banking sector in general and in the Issuer in particular, and the extent of deposit guarantees. These or other factors could lead to a reduction in the Issuer's ability to access retail deposit funding on appropriate terms in the future. Given the relative size of the Issuer's retail deposit base, it is particularly exposed to any serious loss of confidence by its retail depositors which results in significant withdrawals of deposits over a sustained period.

The maintenance and growth of the level of the Issuer's lending activities depend, to a greater extent, on the availability to the Issuer of retail deposits and, to a lesser extent, wholesale funding, on appropriate terms. A restriction on the Issuer's access to liquidity (including retail and wholesale funding, or to government and central bank funding and liquidity support, where available) and a decline in consumer confidence which results in high levels of withdrawals from the Issuer's retail deposit base, could affect the Issuer's ability to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, or to fulfil its commitments to lend. In such circumstances, the Issuer may not be in a position to continue to operate without additional funding support and any inability to access such support could have a material impact on the Issuer's viability.

In past years the UK government has provided significant support to UK financial institutions, including the Bank of England Funding for Lending Scheme ("FLS"), the Term Funding Scheme ("TFS") and the Term Funding Scheme with additional incentives for SMEs ("TFSME"). The withdrawal of such schemes and subsequent repayments of borrowings under the schemes could increase competition for other sources of funding which could adversely impact the Issuer

In past years the UK government, acting through the Bank of England or otherwise, has provided significant support to UK financial institutions through a range of measures, including through the FLS, the TFS and, in response to Covid-19, the TFSME. The availability of funding through central bank schemes has supported a benign funding environment for UK banks and building societies in terms of both the cost and availability of funding. Whilst the FLS, TFS and TFSME are no longer available for any further funding, with the drawdown

period for TFSME having closed on 31 October 2021, significant borrowings under the schemes remain outstanding and will need to be repaid over the coming years, and institutions will be required to raise alternative funding to do so.

The availability of UK government support for UK financial institutions, to the extent that it provided access to cheaper and more attractive funding than other sources, reduced the need for those institutions to fund themselves in the retail or wholesale markets and, by participating in these schemes, the Issuer has, in common with other participants in the schemes, benefitted from this reduced need. With the cessation of FLS and TFS and the drawdown period for the TFSME closed, and with repayments of borrowings under the TFSME falling due, it can be expected to result in an increase in competition for other forms of funding as outstanding borrowings under the schemes are repaid and refinanced, which has the potential to increase funding costs across the industry. As a result, the Issuer may see a reduction in the availability of funding, and an increase in the cost of such funding. A decrease in the availability of funding may adversely impact the Issuer's ability to support its lending operations. Any increase in the cost of funding, driven by this increased competition or by other factors, may adversely impact the Issuer's net interest margin, results of operations and financial position.

The unwinding of unprecedented monetary policy may result in pressure on net interest margin or negative fair value adjustments

Since 2008 there has been unprecedented monetary policy activity within the UK, including rounds of "quantitative easing" (most recently at the start of the Covid-19 pandemic), which the Bank of England is now looking to unwind. Any fall in gilt prices as a result of the unwinding by the Bank of England of its quantitative easing programmes could lead to valuation adjustments within the liquidity book the Issuer holds, in turn impacting its capital levels. Similarly, if interest rates continue to rise, the market rate for variable rate deposits may increase, and the extent to which the Issuer is able to maintain its net interest margin will be dependent on how this is managed and upon the availability of variable rate mortgage assets where rates can also be increased. Insufficient availability of rates that the Issuer can administer at its discretion may lead to margin compression. In circumstances where such flexibility exists, a material increase in interest rates on mortgages could lead to significant increases in arrears levels were this discretion to be exercised, or to an erosion of the Issuer's relative competitiveness which may have wider consequences for the business. Variation of interest rates is also a matter which the FCA may look to challenge or intervene in. See also "*Failure of the Issuer to manage its regulatory and conduct risk may have a material adverse effect on the Issuer's business, financial condition and reputation*" below.

If margin compression were to occur, this could affect the profitability, financial condition and prospects of the Issuer.

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

If sentiment towards banks, building societies and/or other financial institutions operating in the UK mortgage market (including the Issuer) were to deteriorate, or if the ratings of the Issuer and/or the ratings of the sector were to be adversely affected, this may have a material adverse impact on the Issuer. Events in the UK or globally can lead to changes in sentiment towards the banking sector, and this has recently been adversely impacted by events in the US and Europe. Similarly, changes or potential changes in the Issuer's business (for example, and without limitation, the proposed Acquisition) may negatively affect sentiment or ratings. Moody's has indicated the Issuer's current A2 rating as being under 'review for downgrade' and Fitch has applied a negative outlook to the Issuer's current A rating. Any negative change in sentiment or reduction in ratings could result in an increase in the cost, and a reduction in the availability, of wholesale market funding across the financial services sector which could have a material adverse effect on the liquidity and funding of all UK

financial services institutions, including the Issuer. Any such events could affect the market value of the Notes and/or their liquidity in the secondary market.

Any future declines in those aspects of the Issuer's business, or of aspects of the UK financial services sector or wider UK economy, which are identified by the rating agencies as significant or otherwise could adversely affect the rating agencies' perception of UK financial services institutions in general, or the Issuer's credit specifically, and cause them to take negative ratings actions. Any downgrade in the Issuer's credit ratings could adversely affect its liquidity position, particularly through cash outflows to meet collateral requirements or other obligations on existing contracts, and its business position, undermining confidence in its business, increasing its borrowing costs, limiting its access to the capital markets, or limiting the range of counterparties willing to enter into transactions with it. Any such downgrade could also lead to a loss of customers and counterparties which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could destabilise the financial markets, impacting the Issuer's rating, its borrowing costs and its ability to fund itself and could have a material adverse effect on the Issuer's operating results and financial condition. A downgrade or perception that one is likely, may also negatively impact the marketability and trading value of the Notes, as well as the Issuer's credit ratings, borrowing costs and ability to fund itself.

A UK sovereign downgrade or the perception that such a downgrade may occur could have a material adverse effect on depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment and/or reducing asset prices. These risks may be exacerbated by concerns over the levels of the public debt, the risk of further sovereign downgrades, and other negative events inside or outside the UK. The Issuer's financial performance has been and will be affected by general economic conditions in the UK, the Eurozone and elsewhere, and other adverse developments in the UK or global financial markets could have an adverse impact on its results of operations.

Any and all such events described above could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects, as well as on its customers, borrowers, counterparties, employees and suppliers.

UK residential housing market risks may adversely impact the Issuer's business

The Issuer's core lending business is that of residential mortgage lending in the UK. The performance of the UK residential mortgage market is generally correlated to the UK economic cycle. As well as fluctuations at a national level, the UK residential mortgage market is subject to significant regional variations. The Issuer's natural concentration in the UK market could be exacerbated by over-exposure to one regional location, or by reliance on particular product types within the portfolio. A downturn in the UK economy, either regionally or nationally, could reduce demand for housing and consequently reduce house price growth and property market activity, which could result in lower levels of mortgage lending, impacting the Issuer's core lending activity. A fall in property prices resulting from a deterioration of the economy and increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by the Issuer where the net recovery proceeds from the sale of properties are insufficient to redeem the outstanding loans. Conversely, an increasing interest rate environment may adversely affect the Issuer's business and financial performance. Increases in the Bank of England base rate may increase the Issuer's cost of funding, and may also result in other market participants offering more competitive product pricing, which could result in increased customer attrition. Furthermore, increased or persistent inflation in the UK or globally, both by itself and together with increases in the cost of borrowing, may put increasing pressure on household budgets,

which could result in an increase in the Issuer's customers defaulting on their mortgages. These pressures may be exacerbated by continued increases in energy prices and/or the persistence of high energy prices.

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

The performance of the buy-to-let market and competition within it may have a material impact on the future performance of the Issuer and its business, financial condition and prospects

The Issuer has exposure to buy-to-let mortgage loans, representing a relatively large share of this market in relation to the Issuer's size. These advances have been secured on residential properties within the UK.

While the Issuer's buy-to-let book has performed well to date, there can be no assurance that, in the event of a material downturn in the private rental market, the performance of the Issuer would not be adversely affected. Such a downturn could be precipitated by a range of factors, which may include (but are not limited to) a reduction in margins for buy-to-let mortgage loans, increased competition, an expansion of owner-occupied lending and/or legislative changes, such as the introduction of rental caps or the regulation of the market or parts thereof, affect the sector. Regulatory changes to buy-to-let lending, such as this being reclassified as non-residential lending in a manner which would impact the level of risk weighted assets ("RWAs") reported by the Issuer, would detrimentally impact the Issuer's risk-based measures of capital. Any reduction in margin or volumes of the Coventry Group's buy-to-let mortgage book, or impact on the level of RWAs reported by the Issuer, could have a material adverse effect on the Issuer's business, results of operations and financial condition.

There have been various tax-related changes to UK legislation in recent years which may affect the ability of the borrowers to repay their buy-to-let loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the borrowers' ability to meet their obligations under such loans. For example, with effect from 6 April 2020, there is no longer a deduction available for finance costs against rental income for individual landlords and instead an individual landlord is only entitled to relief for interest payable at the basic rate of income tax (20 per cent.) which may result in higher taxes for the individual landlords depending on their personal circumstances. This change could further impact demand in this area of the market, and could impact the ability of individual borrowers of buy-to-let loans to meet their obligations under those loans. Legislation has also been passed which increased the rate of: (i) stamp duty land tax ("SDLT") in England and Northern Ireland; and (ii) land transactions tax ("WLTT") in Wales, in the case of acquisitions of additional residential properties (including where an individual acquires a second residential property on a buy-to-let basis). The broad impact of this legislation is to increase the rate at which SDLT or WLTT applies and the increased rate for each of these taxes is currently 3 per cent. and 4 per cent. above the standard rates in these circumstances respectively. The Scottish government has implemented a similar additional dwelling supplement in respect of land and buildings transaction tax. The current additional rate is 6 per cent. of the full chargeable consideration of the property (where the property is valued at £40,000 or more).

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

The introduction of these measures may adversely affect the private residential rental market in England, Northern Ireland, Wales and Scotland in general, or (in the case of the restriction of income tax relief) the ability of individual borrowers of buy-to-let loans to meet their obligations under those loans.

Further, since 1 April 2018, landlords of relevant domestic properties in England and Wales have not been permitted to grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate (“EPC”) for the property) and, since 1 April 2020, landlords have not been permitted to continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid EPC for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the “**Energy Efficiency Regulations 2015**”) as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, they will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances, landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. They may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to them that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties. If landlords are prevented from letting a property or financial penalties are imposed, it may affect the performance of the Issuer’s buy-to-let book which may in turn adversely affect the Issuer’s business, results of operations and financial condition, and such impacts could increase if the applicable EPC criteria are amended and lead to a greater number of properties being captured by this form of restriction.

In order to set similar standards in the private rented sector in Scotland compared to those in England and Wales, the Scottish government has published, in draft form, The Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations 2020 to ensure that all privately rented homes in Scotland meet a minimum standard of energy efficiency. However, whilst it was anticipated that these regulations would come into force on 1 April 2020, the Scottish government initially delayed the implementation of the new minimum standards due to the impact of the Covid-19 pandemic and the timescale for these coming into effect continues to be unclear.

Landlords in Scotland currently need to have a valid EPC available for a property offered for let when there is a change in tenancy. Under the Energy Performance of Building (Scotland) Regulations 2008 the EPC is valid for a period of up to ten years, and must be lodged on the EPC register. There are existing mechanisms to enforce this requirement, although it should be noted that in Scotland the basis for assessment of EPC ratings is different from that in England and Wales, which can lead to different ratings for similar buildings in both jurisdictions.

On 16 June 2022, the government published a White Paper “A Fairer Private Rented Sector” which proposes certain changes in relation to the standard of rented housing, the ability of tenants to challenge rent increases and fetters on the ability of a landlord to terminate a rental agreement where the tenant is not in breach of the contractual terms. It remains to be seen whether the proposals change as they go through the legislative process and what impact that will have, if any, on the performance of the Issuer’s buy-to-let portfolio and, consequently, on the Issuer’s business, financial condition or results of operations.

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

Failure to manage retail credit risk in the Issuer's mortgage operations may adversely impact profitability

Retail credit risk is present in the Issuer's mortgage operations, and represents the potential inability of a mortgage borrower to repay their mortgage. In particular, an inability to repay may result in the repossession of the borrower's property, and the Issuer will be exposed to a subsequent loss if the value of the property upon sale is insufficient to pay the mortgage balance in full. A failure of the Issuer to effectively manage retail credit risk could lead to an increased incidence of retail credit losses, which could impact the profitability of the Issuer and could adversely affect its results of operations, financial condition and prospects.

Credit losses in the Issuer's treasury operations could adversely impact profitability and the Issuer's ability to make payments on the Notes

Credit risk within the treasury liquidity book (wholesale credit risk) arises from the portfolio of liquid and other financial assets held by the Issuer, and represents the risk that counterparties will fail to repay amounts when due. A failure to manage credit risk in the Issuer's treasury operations effectively could lead to credit losses if counterparties default, and could adversely affect its results of operations, financial condition and prospects.

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

Developments in the Issuer's industry, including increased competition and changes in regulation, could have a material adverse impact on its operations. The Issuer operates in the UK personal financial services market, which has historically been very competitive. Factors such as the entrance of new participants to the market, and new technological developments, including (but not limited to) the wide use of price comparison websites, have increased the level of competition in recent years.

Competitors, particularly, but not limited to, the large banking groups and new market entrants (such as challenger banks and account aggregators), may disrupt the Issuer's ability to grow or to maintain its market share. Technological advances (such as the development of open banking and the development of "stablecoins" or other "digital currencies"), the ability of some banks to cross-subsidise products from other parts of their businesses, the developing of economies of scale, and other competitive advantages (including regulatory or technological) may be exploited by these or other competitors. Such competition could impact the volumes and margin available on both retail savings and mortgages, and may require the Issuer, alongside other market participants, to adapt its business model or to change its business plans. The Issuer has historically attracted the necessary retail and wholesale funding, and volumes of mortgage originations required to maintain and grow its business, but there is no assurance that it will continue to be able to do so.

In addition, the Prudential Regulation Authority's (the "PRA") implementation of the final Basel III standards (i.e. Basel IV, which the PRA refers to as "**Basel 3.1**") and the expectation that changes to capital requirements will be implemented in the EU and the UK over a five-year transitional period commencing on 1 July 2025, could have a disproportionate impact on the Issuer's capital requirements compared to its competitors, particularly large banking groups with diversified portfolios and non-bank mortgage lenders, that may result in other market participants offering more competitive product pricing. See "*Regulatory reforms may result in a reduction of the Issuer's capital surplus*" below.

The cessation of government funding schemes can be expected to increase the competition and the cost for other sources of funding, which also could adversely impact the Issuer. See "*In past years the UK government has provided significant support to UK financial institutions, including the Bank of England Funding for Lending Scheme ("FLS"), the Term Funding Scheme ("TFS") and the Term Funding Scheme with additional incentives for SMEs ("TFSME"). The withdrawal of such schemes and subsequent repayments of borrowings under the schemes could increase competition for other sources of funding which could adversely impact the Issuer*" above.

The Issuer is reliant on third party intermediaries for the distribution of its mortgage products and any change to the availability or cost of this distribution channel may adversely impact the Issuer's performance

The Issuer operates a multi-channel distribution model for mortgage origination, including through its own branches and online. However, the largest distribution channel for mortgages is through intermediaries, whereby the Issuer pays intermediaries a procurement fee to introduce new mortgage customers to the Issuer. If the cost of this fee were to increase significantly, or if the capacity of this channel were to reduce, this could adversely impact the ability of the Issuer to grow or maintain its interest margins, business volumes and profitability. Such changes could result from a number of factors, including (but not limited to) regulatory changes or a shift in consumer preferences. Given the Issuer's relatively small branch network compared to other national lenders, any such change could have a more significant impact on the Issuer's business than some of its competitors.

Failure by the Issuer to manage its financial risks, which include liquidity, market, funding and concentration risks, may result in adverse effects on its business, financial condition and/or reputation

The Issuer's success depends on its ability to manage and control its financial risks, which include liquidity, market, funding and concentration risks.

Liquidity risk is the risk that the Issuer has insufficient funds to meet its obligations as they fall due. The Issuer is exposed to liquidity risk as a result of mismatches in cashflows from balance sheet assets and liabilities, off-balance sheet financial instruments and changes in market sentiment. Funding risk is the inability to access funding markets or to do so only at excessive cost.

The Issuer is exposed to market risks as a result of changes in interest rates, foreign currency prices, asset prices or in other financial contracts. The most significant market risks the Issuer faces are interest rate risks (including swap spread risk), along with, to a lesser extent, risks relating to foreign exchange and bond prices. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-euro exchange rate, may affect the value of assets and liabilities denominated in foreign currencies. The performance of financial markets may also cause changes in the value of the Issuer's investment portfolios. Changes in economic or market conditions may have an adverse impact on the Issuer's financial performance and business operations.

Credit risk is the risk that a customer or counterparty is unable to meet its obligations to the Issuer as they fall due. Credit risk exists in the Issuer's treasury operations and in its mortgage lending operations. A failure of one or more of the Issuer's counterparties could have a material adverse effect on the Issuer's financial position. For more information, see "*Failure to manage retail credit risk in the Issuer's mortgage operations may adversely impact profitability*", "*Credit losses in the Issuer's treasury operations could adversely impact profitability and the Issuer's ability to make payments on the Notes*", "*UK residential housing market risks may adversely impact the Issuer's business*" and "*The performance of the buy-to-let market and competition within it may have a material impact on the future performance of the Issuer and its business, financial condition and prospects*".

A failure by the Issuer to manage and control these financial risks could have a material adverse effect on its business, results of operations, financial condition and reputation.

Regulatory and Conduct Risk

Failure of the Issuer to manage its regulatory and conduct risk may have a material adverse effect on the Issuer's business, financial condition and reputation

UK-authorized firms are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations thereof in the UK. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking and building society sector, and which the Issuer expects to continue for the foreseeable future. The UK government, the PRA, the FCA and other regulators in the UK may intervene further in relation to areas of industry risk already identified, or in new areas, each of which could adversely affect the Issuer. The effects that such regulations may have on the Issuer include, without limitation, the imposition of additional costs or the limitation or restriction on the manner in which the Issuer conducts elements of its business. The Issuer continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate the risks posed, although future changes are difficult to predict and could materially adversely affect the business of the Issuer.

The Issuer is exposed to various forms of regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements, or other claims of alleged misconduct on the part of the Issuer, any of which could have a material adverse effect on its results or its relations with its customers. The Issuer may settle litigation or regulatory proceedings prior to a final judgment or determination of liability in order to avoid the cost, management efforts, negative business, and regulatory or reputational consequences of continuing to contest liability, even when the Issuer believes that it has no liability. The Issuer may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement.

Although the Issuer would meet the current UK leverage ratio requirements, should the Issuer fail to manage these regulatory and conduct risks adequately, such failure could have a material adverse effect on the Issuer's business, results of operations, financial condition and reputation.

Regulatory reforms may result in a reduction of the Issuer's capital surplus

A perceived or actual reduction in capital surplus could result in actions or sanctions, which may have a material adverse effect on the Issuer's business, including its operating results, financial condition and its prospects. The Issuer's capacity to continue its business operations or pursue strategic opportunities may also be affected as a result and may have an impact on future growth potential.

The circumstances which could give rise to a reduction in capital surplus could include the following:

- The Issuer may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section.
- The Issuer may experience an increased demand for capital. For example, the Issuer is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements could be applied and/or the manner in which existing regulatory requirements are applied to the Issuer could be changed. If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital requirements, this may result in administrative actions or regulatory sanctions. This may adversely impact the competitiveness of the Issuer relative to banks and financial institutions subject to less stringent requirements.

The Issuer manages its capital taking account of market and rating agency expectations as well as regulatory requirements. If market and rating agency expectations increase, driven by, for example, the capital levels or

targets among peer banks or building societies or through the changing views of rating agencies, then the Issuer may experience pressure to increase its capital ratios.

In particular, it should be noted that the Basel Committee on Banking Supervision (“**BCBS**”) has approved significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as “**Basel III**”, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and “**Basel IV**” in respect of reforms finalised on or following that date) including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The Basel III reform package agreed in 2010 has been implemented in the EEA through the Capital Requirements Regulation (575/2013) (the “**EU CRR**”) and an associated directive (the Capital Requirements Directive (2013/36/EU), as amended or supplemented from time to time (the “**CRD**”) (together, “**CRD IV**”), which were published in the Official Journal of the EU on 27 June 2013. The further Basel III reforms finalised between 2010 and 2017 are being implemented in the EEA through the CRR II Regulation ((EU) 2019/876) and the CRD V Directive ((EU) 2019/878). The EU CRR establishes a single set of harmonised prudential rules which will apply directly to all credit institutions in the EEA with the CRD containing less prescriptive provisions which should be transposed into national law. The EU CRR gives express recognition for Common Equity Tier 1 (“**CET1**”) capital instruments for mutual and cooperative entities and permits the use of a cap or restriction to safeguard the interests of members and reserves. Full implementation began from 1 January 2013, with particular elements being phased in over a period of time, to be fully effective by 2028. In relation to the Basel III reforms which were finalised in December 2017, the BCBS published a press release in March 2020 deferring the implementation deadline to January 2023 in light of the Covid-19 outbreak.

The CRD IV framework, as applicable in the EU as at the end of the transition period relating to the UK’s exit from the EU (31 December 2020), has broadly been reflected in the UK, with EU CRR and related EU regulations (which had direct binding effect in the UK until expiry of the transition period) being retained as domestic UK law, with certain exceptions and adjustments, primarily through the EUWA and ancillary legislation (the “**UK CRR**”). Most of the CRR II provisions only applied in the EU from 28 June 2021, which was after the Brexit transition period, and accordingly those CRR II provisions were not onshored into UK law. To implement those remaining elements of CRR II relating to the Basel Standards in the UK, HM Treasury has revoked a number of onshored UK CRR articles and the PRA published its Policy Statement PS21/17.

On 30 November 2022, the PRA published a consultation paper (CP16/22 (Implementation of the Basel 3.1 standards)) on the implementation of the final Basel III standards (i.e. Basel IV, which the PRA refers to as ‘Basel 3.1’), and that its current intention is to consult on a proposal that these changes will become effective on 1 July 2025. The PRA’s proposed approach to the BCBS’s proposals for standardised risk weights and output floors may cause a reduction in the Issuer’s reported CET1 capital.

There is a risk that the Issuer will be required to hold higher levels of or better quality capital than is currently anticipated or planned for, including additional ‘minimum requirement for own funds and eligible liabilities’ (“**MREL**”) capital following a reduction in reported CET1 capital. See “*The Issuer’s business is subject to inherent risks concerning liquidity, particularly if the availability of traditional sources of funding such as retail deposits or its access to wholesale funding markets becomes limited and/or becomes more expensive, and this may have an adverse effect on its business and profitability*” above and “*The structure, capital, leverage, liquidity, MREL and resolution profile of the Combined Group remains uncertain*” below. If and to the extent that the PRA adopts capital or other requirements which exceed existing capital requirements, this may adversely impact the Issuer’s competitiveness relative to any banks and financial institutions subject to less stringent requirements.

In addition, as at the date of this Prospectus, the UK leverage ratio is not binding on the Issuer, but the UK leverage ratio will be binding on the Issuer once it has retail deposits of £50 billion or more (as the Issuer expects to become the case regardless of whether the Acquisition (as defined below) is completed, and which will become the case if the Acquisition is completed). Should the Issuer fail, or be perceived to be likely to fail, to meet any applicable future UK leverage ratio requirements, this may result in administrative actions or regulatory sanctions and could have a material adverse effect on the Issuer's capital position, business, results of operations and financial condition.

Climate change

The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Issuer if the Issuer fails to implement a coordinated and timely response.

Climate change and businesses' response to the emerging threats are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. In particular, in 2019, the PRA published its Supervisory Statement 3/19 (SS3/19) titled "Enhancing banks' and insurers' approaches to managing the financial risks from climate change" (with an update of this Supervisory Statement expected during 2024) and Climate Change Adaptation Report. The Supervisory Statement sets out the PRA's expectation that firms develop and embed effective risk management processes to understand and manage their climate risks. In October 2022, the PRA further highlighted that firms' internal capital adequacy assessment processes (ICAAPs) and own risk and solvency assessments (ORSAs) should now provide sufficient contextual information to address climate risk and capital. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is underperforming relative to its peers, could result in increased supervision, reputational damage and/or the risk of legal claims and may have an adverse impact on the Issuer's financial performance and business operations.

Operational Risk

Failure by the Issuer to control its operational risks may result in material adverse effects on its business, financial condition and/or reputation

Operational risk is defined as the risk of a loss arising from inadequate or failed internal processes, people and systems, or from external events. Operational risk can arise from, among other things, legal and regulatory non-compliance, information technology ("IT") system failures or breaches, and information security breaches, business continuity failures, financial crime, people, change, property and physical security, third parties, business processes and financial reporting.

Although the Issuer has implemented risk controls and loss mitigation actions, it is not possible to implement procedures which wholly eliminate each of the operational risks faced by the Issuer and a failure to manage these risks effectively could adversely impact the Issuer's business and financial profile.

Operational resilience has been a key focus area for the PRA, the Bank of England and the FCA in recent years. On 29 March 2021, the PRA published its Policy Statement PS6/21 titled "Operational resilience: Impact tolerances for important business services". The Policy Statement sets out the PRA's policy interventions on operational resilience, effective from 31 March 2022. The regulators expect firms to identify their important business services that, if disrupted, could cause harm to consumers or market integrity, threaten the viability of

firms or cause instability in the financial system. Impact tolerances should be set for each important business service and firms should take actions to be able to remain within their impact tolerances through a range of severe but plausible disruption scenarios. Firms are expected to identify and document the people, processes, technology, facilities and information that support their important business services. The policy requires boards and senior management to approve the important business services identified for the firms and the impact tolerances set. Boards are expected to ensure they have the appropriate management information, adequate knowledge, skills and experience to provide constructive challenge to senior management and make informed decisions that have consequences on operational resilience.

The FCA also published its Policy Statement PS21/3 titled “Building operational resilience: Feedback to CP19/32 and final rules” on 29 March 2021. These rules and guidance are also effective from 31 March 2022, and require that:

- firms must, by 31 March 2022, have identified their important business services, set impact tolerances for the maximum tolerable disruption and carried out mapping and testing to a level of sophistication necessary to do so. Firms must also have identified any vulnerabilities in their operational resilience; and
- as soon as possible after 31 March 2022, and no later than 31 March 2025, firms must have performed mapping and testing so that they are able to remain within impact tolerances for each important business service. Firms must also have made the necessary investments to enable them to operate consistently within their impact tolerances.

Although the Issuer has implemented all measures required to date by the PRA under each of Policy Statements PS6/21 and PS21/3, a failure to comply with these new operational resilience rules in the future (particularly following the 31 March 2025 deadline) may expose the Issuer to administrative sanctions and regulatory fines.

Failure by the Issuer to manage change could have a material adverse effect on the Issuer’s business and financial condition

The pace and scope of change facing the financial services sector and individual firms continue unabated. The Issuer maintains an ongoing programme designed to keep pace with developments in the industry and as part of this is currently working to implement a new mortgage platform, which is a significant project for the Issuer. The increasing pace of IT change in the industry may raise obsolescence risk with the result that services become less stable or relevant or costs increase. The Issuer maintains a change management framework (comprising governance committees considering people, processes and technology), in line with industry practice.

A failure or delay in implementing the Issuer’s change agenda successfully, including in delivering the investment being made in core IT infrastructure or an increase in the costs, complexity, or delivery time, of implementing such change, could have a material adverse effect on the Issuer’s business and financial condition.

The Issuer may suffer a failure or interruption in or breach of its IT systems

The Issuer has a high dependency on its IT systems and operations infrastructure to conduct its business. The Issuer is exposed to risks in regard to the failure or outage of its IT, the risk of cybercrime and the unauthorised access to the Issuer’s IT systems as well as demands of meeting increasing regulatory expectations as to operational resilience and the management of third party and outsourcing arrangements. Any failure, interruption or breach in security of these IT systems could result in failures or interruptions in the Issuer’s risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer’s IT systems fail, even for a short period of time, it could be unable to serve

some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's IT could result in costs that are required for information retrieval and verification.

The occurrence of any failures, breaches or interruptions in the Issuer's IT systems and operations infrastructure could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

Reputational risk could cause harm to the Issuer and its business prospects

The Issuer's ability to attract and retain customers and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of its brand is damaged.

Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Issuer and its business prospects. Reputational issues include, but are not limited to: failing to appropriately address potential conflicts of interest; breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements); acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices); failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record keeping; technology failures that impact customer services and accounts; failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered; and generally poor company performance.

A failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect its business, financial condition and results of operations and could damage its relationships with its regulators.

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

Any dislocation in the financial markets could result in the Issuer recording in its results impairment charges and negative fair value adjustments with respect to securities and other investments that it holds. While the impact to date has been modest, asset valuations in future periods, reflecting prevailing market conditions, may result in negative changes in the fair values of the Issuer's investment assets and these may also translate into increased impairments, including with respect to the Issuer's exposure through its liquidity and investment portfolios to UK sovereign paper. In addition, the value that the Issuer ultimately realises for its securities and other investments may be lower than the current fair value. Any of these factors would require the Issuer to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

The Issuer's success depends upon key members of its senior executive management and its business and prospects may change in accordance with changes in key personnel

The Issuer depends on the continued contributions of key members of its senior executive management and other key personnel with the experience, knowledge and skills required for its success; however, key personnel will continue to change (as they have changed in the past) from time to time. Any failure to recruit, or delay in recruiting suitable members of the senior executive management team and other key personnel, or any loss of key personnel without finding suitable replacements, may have an adverse effect on the Issuer's business, prospects, results of operations and financial position. In addition, the strategy, business and prospects of the Issuer will depend in part on the management and contributions of key members of its senior executive management and other key personnel, and there can be no assurance that the Issuer will maintain the same business policies or strategies at all times.

The Issuer may be adversely affected by increased levies payable under the Financial Services Compensation Scheme

FSMA established the Financial Services Compensation Scheme (the “FSCS”), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them.

An institution’s FSCS levy is linked to its share of the UK deposit market. The Issuer is, and continues to be, a member of the FSCS. As a result of the various claims under the FSCS, the Issuer, in common with all regulated UK deposit takers, has in the recent past been subject to significantly increased FSCS levies and there can be no assurance that there will not be further increases in the FSCS levy from time to time. Consequently, the FSCS levy may have a material impact on the profits of the Issuer.

There can also be no assurance that there will not be any actions taken under the Banking Act 2009 (the “Banking Act”) that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer (and other regulated UK deposit takers). Any such increases in the Issuer’s costs and liabilities related to the levy may have a material adverse effect on its results and operations. Further costs and risks to the Issuer may also arise from discussions at national level around the future design of financial services compensation schemes, including increasing the scope and level of protection and moving to pre-funding of compensation schemes.

The Issuer is subject to regulatory capital and liquidity requirements which are subject to change and which could have an impact on its operations

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

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

If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital, leverage, liquidity or MREL requirements, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to the Issuer’s competitors could result in a loss of confidence, which could result in high levels of withdrawals from its retail deposit base, upon which it relies for lending and which could have a material adverse effect on the Issuer’s business, financial position and results of operations.

Future legislative and regulatory changes could impose operational restrictions on the Issuer, require the Issuer to raise further capital, increase the Issuer’s expenses and/or otherwise adversely affect its business, results, financial condition or prospects

The Issuer is regulated by the PRA and the FCA. The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems,

processes and documentation. If the Issuer fails to be compliant with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors.

The FCA, and other bodies such as the Financial Ombudsman Service, could impose further regulations or obligations in relation to current and past dealing with retail customers. As a result, the Issuer may incur costs in complying with these regulations or obligations relating to its business, including potential compensation and costs.

Certain legislative and regulatory changes (including those referred to in “*Regulatory reforms may result in a reduction of the Issuer’s capital surplus*” above) have been made or proposed which could materially adversely affect the Issuer’s business, results, financial condition or prospects. HM Treasury set out the UK government’s approach to repealing and replacing retained EU law (“**REUL**”) on financial services in December 2022 in the so-called “**Edinburgh Reforms**”. HM Treasury identified 43 core areas of REUL in scope of this programme and will deliver the programme by splitting REUL into ‘tranches’.

As part of the Edinburgh Reforms, the UK government is also seeking to foster competition through reforms to the Building Societies Act 1986 (the “**Act**”), which is set out in its December 2022 response to the Call for Evidence (the “**Building Societies Reforms**”). The Building Societies Reforms include proposed changes to how the calculation of the funding limit under the Act is performed, by excluding the following sources of funding: (i) funding from specific Bank of England Liquidity Insurance Facilities under the Sterling Monetary Framework; (ii) funding from senior non-preferred debt instruments raised to meet MREL; (iii) funding from repurchase agreements of high-quality liquid assets where funding essentially counts twice for the purpose of the funding limit; and (iv) deposits from small to medium-sized enterprises with a turnover of up to £6.5 million (up to 10 per cent. of a building society’s overall funding).

Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Act 2023 (“**FSMA 2023**”) received Royal Assent on 29 June 2023. FSMA 2023 establishes a framework to revoke REUL relating to financial services, and will enable HM Treasury, the FCA and the PRA to replace it with legislation and a regulatory rule set to deliver a comprehensive model of regulation. FSMA 2023 intends to move away from the onshored EU legislation towards the historic approach taken under the FSMA, whereby primary responsibility for regulation is delegated to the UK regulatory authorities, subject to the oversight of Parliament. FSMA 2023 provides the FCA new powers to protect access to cash, and consequently, once the UK government designates which firms the FCA’s regulation of cash access will apply to, the FCA will seek to develop new rules to ensure that as cash access services evolve, they continue to be provided on a reasonable basis.

On 10 July 2023, the Chancellor of the Exchequer’s Mansion House Speech included a package of reforms (the “**Mansion House Reforms**”), which build on the Edinburgh Reforms and FSMA 2023, aim to deliver a smarter regulatory framework and elaborate on how the UK government intends to deliver the first two tranches. The Mansion House Reforms confirmed that before the end of 2023: (i) statutory instruments would be laid to reform the UK Prospectus Regulation and Regulation (EU) 2017/2402, as amended by the Securitisation (Amendment) (EU Exit) Regulations 2019, amongst others; (ii) draft statutory instruments would be published proposing reform to the UK PRIIPs Regulation, Regulation (EU) No 236/2012, as amended by the Short Selling (Amendment) (EU Exit) Regulations 2018 and Regulation (EU) 2017/1131, as amended by the Money Market Funds (Amendment) (EU Exit) Regulations 2019; (iii) a consultation would be published on Regulation (EU) 2020/852; (iv) a first round of “targeted reforms” would be made to payments and emoney rules; and (v) work would continue on Basel 3.1 implementation and the “strong and simple” framework for small banks and building societies. The Retained EU Law (Revocation and Reform) Act 2023, which also received royal assent

on 29 June 2023, established a framework for the repeal of non-financial services retained EU law and provides for the abolition of the supremacy of retained EU law and general principles of EU law interpretation. This will end the special status that retained EU law (including relating to financial services) has on the UK statute book.

A new Consumer Duty was brought into effect by the FCA on 31 July 2023. The Consumer Duty sets higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first. The Consumer Duty is constituted of four high-level outcomes:

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

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

The Consumer Duty also includes requirements for firms to end unfair charges and fees, make it as easy to switch or cancel products as it was to take them out in the first place, provide helpful and accessible customer support, act quickly to respond to customer queries, provide timely, clear and easily understandable information to customers regarding products and services, provide products and services that are appropriate for their customers, and focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. Firms will also need to monitor, evidence and report against many of the requirements. There may be added costs associated with making necessary changes in order to ensure that the Issuer is compliant with these new rules.

On 3 February 2023, the FCA published a “Dear CEO” letter entitled “*Implementing the Consumer Duty in the Retail Banks and Building Societies sector*” in which the FCA emphasised the need for retail banks and building societies to provide fair value to retail customers, how the Consumer Duty applies to building societies and the FCA’s expectations for how building societies should embed the Consumer Duty. The letter also underlined the importance of this regulatory initiative. On 3 February 2023, the FCA also published a Dear CEO letter entitled “*Implementing the Consumer Duty in Mainstream Consumer Credit Lenders (MCCL)*” in which the FCA emphasised the need for providers of mainstream consumer credit to implement the Consumer Duty effectively within the required timeframe.

If the Issuer fails to comply with these new rules, there is a risk of an adverse impact on the Issuer’s business due to penalties imposed by the FCA, costs and payments associated with any investigations and/or required remediation and potential reputational damage. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Issuer’s control and could materially adversely affect the Issuer’s business or operations.

Future changes to the Issuer’s accounting policies or in accounting standards could materially affect its capital ratios, how it reports its financial condition and results of operations

From time to time, the International Accounting Standards Board (“IASB”) makes changes to the standards that govern the preparation of the Issuer’s financial statements. These changes can be difficult to predict and could materially impact how the Issuer records and reports its financial condition and results of operations. In some

cases, the Issuer could be required to apply a new or revised standard retroactively, resulting in restating financial statements for a prior period.

In 2014 the IASB introduced international financial reporting standards (“**IFRS**”) 9: “Financial Instruments” as a new standard to replace IAS 39: “Financial Instruments: Recognition and Measurement”. IFRS 9 changed the classification and measurement of some financial assets, the recognition and the financial impact of impairment and hedge accounting.

The Issuer has adopted IFRS 16: “Leases” from 1 January 2019. This has resulted in the recognition of operating lease liabilities which were previously ‘off-balance sheet’ and a ‘right-of-use’ asset for the leased asset.

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

The implementation of the UK General Data Protection Legislation could lead to increased operational risk and compliance costs

The EU General Data Protection Regulation (EU) 2016/679 as it forms part of domestic law by virtue of the EUWA (“**UK GDPR**”) and the Data Protection Act 2018, introduced new obligations on data controllers and rights for data subjects. The UK GDPR also introduced new fines and penalties for a breach of requirements, including fines for serious breaches of up to the higher of 4 per cent. of annual worldwide turnover or £17.5 million and fines of up to the higher of 2 per cent. of annual worldwide turnover or £8.7 million for other specified infringements. The UK GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement).

Further, there is a risk that the measures may not have been implemented correctly or that individuals within the Issuer will not be fully compliant with the procedures. If there are breaches of these measures, the Issuer could face significant administrative and monetary sanctions as well as reputational damage which may have a material adverse effect on the Issuer’s operations, financial condition and prospects.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS RELATING TO THE ACQUISITION

This section should be read together with the Acquisition Announcement, as incorporated by reference in this Prospectus (see “*Documents Incorporated by Reference*” above). Terms defined in the Acquisition Announcement shall, where the context admits, have the same meaning in this section.

There can be no assurance that the proposed Acquisition will complete or, if it completes, that it will deliver the benefits anticipated by the Issuer

On 24 May 2024, the Issuer announced its proposed offer to acquire the whole of the issued share capital of The Co-operative Bank Holdings p.l.c. (“**Co-op Bank**”) by the Issuer (the “**Acquisition**”). The Issuer presently expects the Acquisition will, subject to satisfaction or (where applicable) waiver of certain conditions, become effective in 2025. For further information on the proposed Acquisition, see the Acquisition Announcement, as incorporated by reference herein.

There can be no assurance that the Acquisition will complete. The Acquisition is subject to a number of conditions, including (without limitation) approvals being obtained from the PRA and the FCA. A number of the conditions to completion of the Acquisition are outside the control of the Issuer. There can be no assurance that these conditions will be satisfied or (where capable of waiver) waived on a timely basis, or at all. Accordingly, the Acquisition remains subject to a number of uncertainties and there can be no assurance that it will be completed within the timeframe and/or on the terms currently contemplated, or at all, and the Issuer may face increases in its costs to seek to secure completion of the Acquisition.

Whether or not the Acquisition completes, the Issuer has incurred, and will continue to incur, irrecoverable costs (such as advisor fees) associated with the proposed Acquisition. In certain circumstances, the Issuer would also incur irrecoverable break fees associated with the Acquisition. Furthermore, the Acquisition requires the Issuer's senior management team to devote considerable time and resources to planning for the Acquisition and subsequent integration, which may divert attention from normal business operations and evaluating other potential opportunities available to the Issuer.

If the Acquisition completes, there can be no assurance that the combined group consisting of the Group and Co-op Bank and its subsidiary undertakings (the "**Co-op Bank Group**") (the "**Combined Group**") will identify or achieve all or any of the anticipated strategic benefits or cost synergies in the manner or within the timeframe currently estimated, or at all. In addition, the costs of the Acquisition and subsequent integration may materially exceed the Issuer's expectations. The anticipated benefits are based on a number of assumptions that, notwithstanding the Issuer's direct focus on managing the Acquisition to avoid any such risks coming to pass, are inherently uncertain and subject to risks that could cause the actual results to differ materially from those envisaged by the Issuer. These include, but are not limited to, the following factors:

- the completion of the Acquisition may be delayed, or the Acquisition may not be completed at all;
- regulatory or competition authorities may impose conditions or constraints on the Acquisition, or on the operations of the Combined Group, which could affect its operational and capital synergies;
- unforeseen challenges in the integration of its IT and other systems, processes and operations could prevent or delay full integration, give rise to complications or errors, and/or increase the costs of integration;
- integration of the Combined Group's IT systems could increase the risk of cyber threat, data loss, service outage or other major IT incidents;
- integration and alignment of governance and reporting structures, organisation cultures, employee benefits or engagement terms may give rise to personnel risks and costs, including key personnel retention risks and pension costs;
- the risk of negative pressure on the Issuer's, Co-op Bank's and/or the Combined Group's financial performance and operations due to integration costs associated with the Acquisition, potential customer attrition and associated loss of revenue, loss of deposits and/or higher cost of funding compared to the respective current positions;
- the risk of downgrades issued by relevant rating agencies;
- management time required to be devoted to the integration may distract from the efficiency, accuracy, continuity and consistency of the Combined Group's control, administrative and

support functions, such as financing operations, cash management, hedging, insurance, financial control and reporting, information technology, communications and compliance functions; and

- the combination will require significant amounts of management time and effort which may impair the ability of management of both the Issuer and Co-op Bank to effectively run their respective businesses during the proposed Acquisition and subsequent integration processes.

If any of these risks materialises, the Combined Group may fail to achieve the anticipated strategic benefits or cost synergies, and any of the above factors could have a material adverse effect on the business, financial condition, results of operation or prospects of the Issuer and (if the Acquisition is completed) the Combined Group.

The cash consideration for the Acquisition may not accurately reflect the risks associated with the Acquisition

The Issuer will pay total cash consideration of £780 million (subject to customary post-completion price adjustments and the terms of the relevant share purchase agreement (the “SPA”)) to acquire the entire issued share capital of Co-op Bank. Of the total cash consideration, up to £125 million will be deferred for a period of three years from completion subject to the future performance of Co-op Bank and the terms of the SPA.

Such total cash consideration, and in particular the deferred amount and post-completion adjustment mechanisms, may not accurately reflect the risks associated with the Acquisition and, accordingly, may over value the assets acquired pursuant to the Acquisition. This could have a material adverse effect on the business, financial condition, results of operation or prospects of the Issuer and (if the Acquisition is completed) the Combined Group.

Limited inclusion of illustrative or Co-op Bank historical financial information in this Prospectus

The Acquisition, if completed, would result in a significant increase in the size of the Issuer’s consolidated balance sheet, including in particular the Issuer’s loan book and deposit portfolio. The Issuer does not have, and to date has not had, any control (financially, legally or operationally) over Co-op Bank, and the Issuer has not had any oversight over the preparation of the audited financial statements of Co-op Bank. This Prospectus does not contain or incorporate by reference the audited financial statements of Co-op Bank or any other historical financial statements of Co-op Bank.

Furthermore, this Prospectus does not, except as described in the paragraph below, contain or incorporate by reference any historical financial information illustrating the combined financial position and results of operation of the Group and the Co-op Bank Group, given that: (i) at the date of this Prospectus, the Issuer does not control Co-op Bank, and therefore does not have direct access to, and under applicable competition law and regulation, faces some restrictions in its access to, the books and records of Co-op Bank; and (ii) while both the Issuer and Co-op Bank apply IFRS as adopted by the UK, their respective accounting policies and classification of primary financial statement items may differ and, in some cases, it may not be possible properly and accurately to assess such difference and/or to make adjustments appropriately to align the various financial statement items. Accordingly, the Issuer generally considers that any illustrative historical financial information for the Combined Group, if prepared at this time, would be inherently subject to the risk that it would be inaccurate.

The Issuer has prepared limited unaudited illustrative historical financial information for the purpose of showing certain financial information for the Combined Group, assuming for that purpose that the Acquisition had been completed at that time. Such illustrative historical financial information, which appears in the Acquisition Announcement, has been prepared for illustrative purposes only, is not audited or reviewed and is based in part on historical financial information previously published by Co-op Bank. See also “*The structure, capital, leverage, liquidity, MREL and resolution profile of the Combined Group remains uncertain*”.

Prospective investors in Notes should consider that, at the date of this Prospectus, there is necessarily uncertainty as to the actual effect that the Acquisition will have on the Issuer's consolidated financial position and results of operations and there is a risk that the financial condition and results of operations of the Combined Group following the Acquisition, if it completes, will be materially different from that which may be implied by a simple arithmetic combination of the separate historical audited financial statements of the Issuer and Co-op Bank, respectively.

Impairment of goodwill or other intangible assets

Upon completion of the Acquisition, a significant portion of the difference between the purchase price paid by the Issuer and Co-op Bank's net assets at the date of completion will, when preparing the purchase price allocation in accordance with IFRS 3: "Business Combinations", be recorded as intangible assets including negative goodwill. Co-op Bank's net assets at closing will be impacted by fair value adjustments which will determine the quantum of negative goodwill recognised. If the business of the Combined Group following the Acquisition does not develop as expected, impairment charges in respect of the negative goodwill recognised may be incurred in the future, which could be significant and which could have an adverse impact on the Combined Group's business and financial condition.

Co-op Bank may have liabilities that are not known to the Issuer or are greater than anticipated

While the Issuer has been granted access to Co-op Bank's senior management for the purposes of due diligence, it has not had access to the full books and records of Co-op Bank. In conducting its due diligence, the Issuer has relied, and will continue to rely, on resources available to it, including information provided or published by Co-op Bank and, in some circumstances, third-party investigations. The objective of the due diligence process is to identify whether the Acquisition may be an attractive investment opportunity, to identify possible risks associated with the Acquisition and to identify opportunities for achieving operational objectives, cost synergies and value creation and, to the extent possible, areas where there may be risks which will require action by the Issuer if the Acquisition completes. Since the Issuer's access to information about Co-op Bank prior to the proposed Acquisition has been limited, the Issuer may not be adequately protected against possible known or unknown deficiencies and liabilities in the Co-op Bank Group, its financial position, its compliance with its prudential and other obligations or in its business generally, whether or not included in or referred to in Co-op Bank's historical audited financial statements.

The Issuer cannot be certain that its due diligence investigation has revealed or will reveal all relevant facts and circumstances that may be necessary or helpful in evaluating the merits and risks of the Acquisition, the existence of which could have a material adverse effect on the financial condition, business, results of operations or prospects of the Issuer. Such facts and circumstances may include (without limitation): any material actual, contingent or prospective liabilities, including legal, regulatory, pensions and tax liabilities; the level and status of Co-op Bank's non-performing assets; regulatory, prudential, conduct or compliance issues (including any present or historic mis-selling practices, failure to maintain appropriate levels of regulatory capital, failure to have in place appropriate procedures and processes, and reporting failures); any issues relating to violations of sanctions, anti-money laundering laws, anti-bribery and corruption laws, or other fraudulent or illegal activities; or any IT system failures or weaknesses, including data breaches.

Any such events or circumstances which come to light in the future could, individually or in aggregate, result in significant additional costs and liabilities that are not described in this Prospectus, or affect the feasibility of achieving the Issuer's anticipated strategic benefits and cost synergies of the Acquisition. If the due diligence conducted by the Issuer fails to identify material information regarding Co-op Bank, the Issuer may, amongst other things: be forced to write down or write off certain assets or incur other impairment or other charges; be required to modify the business plan and/or require it to assume increased Acquisition and integration costs; and incur material legal, regulatory, pensions or tax liabilities, including penalties. If the Acquisition completes,

the Issuer may become liable for any legacy or latent liabilities of the Co-op Bank Group, including that it may become the subject of legal proceedings or regulatory investigation, censure or sanction (including possible fines) relating to the legacy Co-op Bank business, notwithstanding that the Issuer did not exercise any control over such legacy business and operations and was not responsible for the matters giving rise to the subsequent issues. There can be no assurance that the due diligence conducted by the Issuer will identify any historic conduct or compliance issues within the Co-op Bank Group's business or, if identified, that the Issuer's assessment of any associated risks for the Issuer will prove to be accurate.

Any such event or circumstance could have a material adverse effect on the financial condition, business, results of operations or prospects of the Issuer, and could also result in reputational harm. While the Issuer expects to secure certain representations, warranties, undertakings and indemnities from certain members of the Co-op Bank Group's senior management and certain selling shareholders in connection with the Acquisition, there can be no assurance that these will compensate the Issuer in full, or at all, for any losses, or any loss of opportunity, suffered by the Issuer in connection with the Acquisition or the Issuer's inability to achieve its planned business and cost synergies as a result of the Acquisition. Any dispute regarding the scope or quantum of any such representations, warranties, undertakings and indemnities may also result in the Issuer incurring additional costs in associated legal proceedings, which may or may not be recoverable.

The structure, capital, leverage, liquidity, MREL and resolution profile of the Combined Group remains uncertain

While the Issuer has been granted access to Co-op Bank's senior management for the purposes of confirmatory due diligence, it has not yet had access to sufficiently detailed information to finalise its plans regarding the integration of the Combined Group and, once such plans are made, there can be no assurance that integration of the Combined Group will proceed as planned.

If the Acquisition proceeds, it may affect the capital, leverage, liquidity, MREL and resolution profile of the Issuer, including as set out in the Acquisition Announcement. The information regarding the illustrative capital, liquidity and leverage position of the Combined Group represents unaudited estimates prepared by the Issuer using relevant information relating to the Issuer and Co-op Bank on the basis set out in the Acquisition Announcement. These estimates have been prepared by the Issuer for illustrative purposes only and, by their nature, they do not necessarily represent the actual positions which will exist following completion of the Acquisition. Such estimates are necessarily based on a number of assumptions and dependencies, and the actual capital, liquidity and leverage ratios of the Combined Group, if the Acquisition completes, may be materially different from the Issuer's estimates. Prospective investors in Notes should treat any such estimates with caution and should have regard to the cautionary notes regarding forward-looking statements contained and incorporated by reference in this Prospectus.

The Issuer currently expects that leverage will become the binding capital measure applicable to the Issuer in due course (though it is not the binding capital measure as at the date of this Prospectus). If the Acquisition completes, the Combined Group will have retail deposits in excess of £50 billion and leverage will therefore be the binding capital measure. If leverage is the binding capital measure, this will significantly increase the Issuer's MREL requirements to twice the binding leverage exposure measure, and the Issuer will need to issue more MREL eligible debt. Based on the Issuer's balance sheet as at 31 December 2023, the Issuer would have needed around £0.2 billion in additional MREL funding were leverage to have been the binding capital requirement as at that date. In addition, it is currently uncertain whether or not, and for how long, certain indebtedness of the Co-op Bank Group may count towards the MREL requirements of the Combined Group.

Furthermore, the Combined Group will be subject to consolidated prudential supervision by the PRA, and the capital structure and resolution strategy for the Combined Group remains to be determined. The Acquisition may increase the actual or perceived systemic importance of the Issuer within the UK financial system. If the

PRA or the Bank of England were to impose additional capital, leverage, liquidity, MREL or resolution requirements or buffers on the Combined Group, or to require the Combined Group to raise additional MREL to replace certain existing indebtedness of the Co-op Bank Group, or any other requirements or constraints on the structure or operations of the Combined Group, this could affect the Issuer's planned integration of Co-op Bank, increase the cost of capital of the Combined Group, require the Combined Group to raise additional capital or MREL and/or result in the Issuer incurring additional costs relating to the Acquisition and/or the integration of the Combined Group.

RISKS RELATING TO THE SPECIAL RESOLUTION REGIME UNDER THE BANKING ACT

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

Under the Banking Act, substantial powers are granted to HM Treasury, the Bank of England acting through the PRA, FCA and the Bank of England (together, the “**Authorities**”) as part of a special resolution regime (the “**SRR**”). These powers enable the Authorities to deal with, amongst other entities, a UK bank or building society (each a “**relevant entity**”) in circumstances in which the Authorities consider that the resolution conditions are satisfied, through a series of stabilisation options.

The stabilisation options which may be commenced by the Authorities are: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England; (iii) transfer to an asset management vehicle; (iv) temporary public ownership (nationalisation) of the relevant entity as well as powers to convert a building society into a company in connection with a bail-in; and (v) a bail-in tool which permits the Bank of England to (a) cancel, modify or convert the form of a liability owed by a relevant entity or provide that a contract under which, amongst others, a relevant entity has a liability is to have effect as if a specified right had been exercised under it or (b) transfer securities issued by a relevant entity to a bail-in administrator.

In respect of UK building societies, the relevant tools include (i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares, (ii) modified share transfer powers, as well as a public ownership tool which may involve (amongst other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding up or dissolution of the building society and (iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualisation of the building society through the conversion of it into a company or the transfer of all of the property, rights or liabilities of the society to a company. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant institutions with a view to removing impediments to the exercise of the stabilisation tools.

In addition, the Banking Act contains a separate power, often referred to as the “**capital write-down tool**”, enabling the Authorities to cancel or transfer CET1 capital instruments away from the original owners, or write down (including to nil) an institution's Additional Tier 1 and Tier 2 capital instruments, or to convert them into CET1 capital instruments (which, in the case of the Issuer, could be core capital deferred shares), if the Authorities consider that the institution or the Issuer is at the “point of non-viability” and certain other conditions are met. The capital write-down tool must be applied before any of the stabilisation options provided for in the SRR may be used and may be used whether or not the institution subsequently enters into resolution.

Subordinated Notes issued under the Programme may be Tier 2 capital instruments, and any such Subordinated Notes would be subject to the capital write-down tool.

The purpose of the stabilisation options and the capital write-down tool is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may be exercised if (i) the relevant Authority is satisfied that a relevant entity (such as the Issuer) is failing or is likely to fail, (ii) having regard to timing and other relevant circumstances, the relevant Authority determines that it is not reasonably likely that (ignoring the stabilisation options) action will be taken that will enable the relevant entity to satisfy those conditions, (iii) the relevant Authority considers the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors) and (iv) the relevant Authority considers that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity. It is therefore possible that one or more of the stabilisation options could be applied prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the UK. The Banking Act includes provisions related to compensation in respect of instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to the UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of the Issuer, such action may (amongst other things) affect the ability of the Issuer to satisfy its obligations under the Notes (including limiting its capacity to meet its repayment obligations) and/or result in other modifications to the Terms and Conditions of the Notes. In particular, modifications may be made, including (i) that certain trust arrangements could be removed or modified, (ii) that contractual arrangements between relevant entities and other parties could be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool (including any liability in respect of the Notes at the relevant time), the reduction of the relevant liability (including to zero) and/or the discharge of a relevant institution from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined “default events” have occurred.

If powers under the SRR were to be exercised in respect of the Issuer, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and (subject to certain protections) property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Issuer and/or its securities, including the Notes. Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer, including any Notes issued under the Programme, without the consent of the Noteholders, including (among other things):

- transferring the Notes out of the hands of the holders;
- delisting the Notes;
- writing down (which may be to nil) the Notes or converting the Notes into another form or class of securities; and/or

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

The relevant Authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to (amongst others) its capital providers and unsecured creditors (which would include Noteholders) in a manner that (i) ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the “**no creditor worse off**” safeguard). Accordingly, the ranking of Notes in insolvency can be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution. See also “*The Notes rank junior to most of the Issuer’s liabilities*” below.

As noted above, the Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which (i) the relevant Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken), (ii) that the relevant Authority determines that the relevant entity or its group will no longer be viable unless the relevant capital instruments are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability.

Subordinated Notes issued under the Programme may therefore be subject to write-down or conversion into equity on application of such powers (without requiring the consent of the holders thereof), which may result in the holders losing some or all of their investment. The “no creditor worse off” safeguard may not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of holders of Subordinated Notes, and such exercise (or the perception that such exercise may occur) could materially adversely affect the price or value of their investment in Subordinated Notes and/or the ability of the Issuer to satisfy its obligations under the Notes, and/or may adversely affect liquidity and/or volatility in any market for such Subordinated Notes.

As at the date of this Prospectus, the UK authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that the Noteholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation to be ordered in certain circumstances under the Banking Act, there can be no assurance that the Noteholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) would likely only be used by the UK authorities as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools and powers described above.

RISKS RELATING TO THE NOTES

Risks related to the structure of a particular issue of 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 such features:

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

Senior Preferred Notes rank behind liabilities which are preferred by law

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

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

- (i) a first-ranking preference to those deposits and share accounts (or a relevant part thereof) of natural persons and micro, small, medium and large sized enterprises (but excluding financial institutions), which are actually protected by the FSCS (i.e. are eligible for protection and do not exceed the FSCS coverage limit (being, as at the date of this Prospectus, £85,000); and
- (ii) a second-ranking preference to deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium sized enterprises (this definition being narrower than the definition of eligible deposit referred to in paragraph (i) above), which would be eligible for FSCS protection but for the fact that they either (a) exceed the coverage limit of the FSCS or (b) were made through a non-UK branch of a credit institution authorised by the competent authority of the UK. Such deposits and share accounts (or the relevant part thereof) will rank after the preferential debts referred to in paragraph (i) above but in priority to the claims of ordinary unsecured creditors that are not afforded preferential status in the event of an insolvency.

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

Relative ranking of Notes issued under the Programme

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

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

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

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

Further, investors in the Subordinated Notes and Senior Non-Preferred Notes will not be entitled to exercise any rights of set-off against the Issuer in respect of such Notes.

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

In addition, neither the Terms and Conditions of the Notes nor the Trust Deed contains any restriction on the Issuer's ability to incur further indebtedness which ranks *pari passu* with, or in priority to, the Notes.

Relevance of ranking to recovery and resolution under the Banking Act

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

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

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

Investors should ensure they understand the ranking of Notes issued under the Programme – relative both to other Notes issued under the Programme (whether Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes) and the Issuer’s other obligations more generally – and the risks consequent thereon, before investing in any Notes.

Notes subject to optional redemption by the Issuer

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

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

The Issuer may be entitled to redeem Notes at its option on specified dates or during specified periods (if so specified in the applicable Final Terms) and/or in the event of certain adverse tax consequences relating to the Notes, and/or following the occurrence of a Capital Disqualification Event (in the case of Subordinated Notes) or a Loss Absorption Disqualification Event (in the case of Senior Non-Preferred Notes where such redemption right is specified in the relevant Final Terms to be applicable).

Whether or not a Capital Disqualification Event, a Loss Absorption Disqualification Event and/or a relevant change in the law (or interpretation thereof) resulting in adverse tax consequences in respect of the Notes may occur may be difficult for Noteholders to predict accurately, and this may have an adverse effect on, and/or result in increased volatility in, the market price of the Notes.

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

If so specified in the applicable Final Terms, the Issuer may, following a Loss Absorption Disqualification Event in respect of any Series of Senior Non-Preferred Notes, without the need for any consent of the Noteholders, substitute all (but not some only) of such Series of Senior Non-Preferred Notes for, or vary the terms of such Series so that they remain or become, Loss Absorption Compliant Notes (as defined in the Terms and Conditions of the Notes). Whilst Loss Absorption Compliant Notes are required to have terms not materially less favourable to Noteholders than the terms of the relevant Senior Non-Preferred Notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing), no assurance can be given that any such substitution or variation will not adversely affect any particular holder. In addition, the tax and stamp duty consequences of holding such Loss Absorption Compliant Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Senior Non-Preferred Notes prior to such substitution or variation, and no assurance can be given by the Issuer as to the implications thereof for any holder, which may be adverse to any such holder.

The Subordinated Notes and Senior Non-Preferred Notes contain only very limited events of default and the remedies available thereunder are also very limited

The only events of default under the Conditions of the Subordinated Notes and Senior Non-Preferred Notes are (i) where there is a failure to pay principal or interest for a period of 14 days or more after payment of the same has become due and payable or (ii) in the event of the commencement of the winding-up or dissolution of the

Issuer or (iii) in the event of a cancellation of the Issuer's registration under the Act, all as more particularly described in Condition 10(b).

The sole remedy against the Issuer available to the Trustee for recovery of amounts which have become due in respect of the Subordinated Notes or the Senior Non-Preferred Notes will be the institution of proceedings for the winding-up of the Issuer and claiming in such winding up (and the claims in respect of such Notes will be subordinated as described under "*The Notes rank junior to most of the Issuer's liabilities*" above). Otherwise, the Trustee and the Noteholders may not take any further or other action to enforce, prove or claim any such payment, including, in the case of a failure to pay interest, any action to accelerate a repayment of the nominal amount of the relevant Subordinated Notes or Senior Non-Preferred Notes, as the case may be.

In the event of the commencement of the winding up or dissolution of the Issuer or the cancellation of the Issuer's registration under the Act (each as more particularly described in Condition 10(b)), the Trustee, at its discretion, may, and, if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the relevant Series of Notes are due and repayable immediately (and the relevant Series of Notes shall thereby become so due and repayable) at their nominal amount together with accrued interest (if any). The claims for such amounts in the winding up of the Issuer will be subordinated as described under "*The Notes rank junior to most of the Issuer's liabilities*" above.

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

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of UK taxes under the terms of the Subordinated Notes and the Senior Non-Preferred Notes applies only to payments of interest and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of any Subordinated Notes or Senior Non-Preferred Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Subordinated Notes or Senior Non-Preferred Notes, holders of such Notes would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, in such circumstances, holders will receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such "benchmarks"

Reference rates and indices, including interest rate benchmarks such as the Euro Interbank Offered Rate ("**EURIBOR**"), which are deemed to be benchmarks ("**Benchmarks**") and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments have, in recent years, been the subject of political and regulatory scrutiny and reform globally.

(i) EU and UK Benchmarks Regulation

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

EUWA (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

(ii) *IBOR Replacement*

There has been particular regulatory scrutiny of use of the London interbank offered rate (“**LIBOR**”) and other inter-bank offered rates (“**IBORs**”) and increasing pressure and momentum for banks and other financial institutions to transition relevant products to replacement rates.

Different currency LIBORs are being transitioned to different rates which, in contrast to LIBOR rates (which include an interbank lending risk margin) may be (or may be derived from) risk-free rates, which may perform very differently from the relevant LIBOR rate.

For example, in the case of floating rate eurobonds:

- bonds which would traditionally have referenced GBP-LIBOR are generally referencing the Sterling Overnight Index Average (“**SONIA**”);
- bonds which would traditionally have referenced USD-LIBOR are increasingly referencing the Secured Overnight Financing Rate (“**SOFR**”); and
- bonds which would traditionally have referenced EURIBOR may move towards referencing the new euro short-term rate (“**€STR**”) (although a reformed EURIBOR rate will continue to be published).

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Developments in this area are ongoing and could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark, such that market participants are discouraged from continuing to administer or contribute to a Benchmark. These reforms and changes may also cause a Benchmark to perform differently than it has done in the past, to be discontinued or have other consequences which cannot be predicted. See also the risk factor headed, “– *Floating Rate Notes– Benchmark Unavailability and Discontinuation*” below.

Accordingly, in respect of an instrument referencing a relevant Benchmark, such reforms and changes in applicable regulation could have a material adverse effect on the market value of and return on such an instrument (including potential rates of interest thereon).

Floating Rate Notes – Benchmark Unavailability and Discontinuation

(i) Temporary unavailability of the Relevant Screen Page

The Terms and Conditions of the Notes provide for certain fallback arrangements if a published Benchmark or other relevant reference rate (including, without limitation, risk-free rates, mid-swap rates and any page on which such Benchmark may be published), becomes temporarily unavailable. Where the Rate of Interest (as defined in the Terms and Conditions of the Notes) is to be determined by reference to a Relevant Screen Page and the Relevant Screen Page is not available or the relevant rate does not appear on the Relevant Screen Page, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate (as defined in the Terms and Conditions of the Notes)), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Resettable Notes, the application of the Reset Rate of Interest for a preceding Reset Period or, as the case may be, the application of the initial Rate of Interest applicable to such Notes on the Interest Commencement Date (as defined in the Terms and Conditions of the Notes). Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Notes.

(ii) Benchmark Events

If a Benchmark Event (as defined in Condition 5(i)) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate or an announcement that an Original Reference Rate will be permanently discontinued in the future) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser (as defined in the Terms and Conditions of the Notes), to determine a Successor Rate or Alternative Rate (as defined in the Terms and Conditions of the Notes) to be used in place of the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes provide that the Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes also provide that an Adjustment Spread (as defined in the Terms and Conditions of the Notes) shall be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Terms and Conditions of the Notes further provide that if the Issuer is unable to appoint an Independent Adviser, it shall have the right (but not the obligation) to make its own determination of any

Successor Rate, Alternative Rate, Adjustment Spread and/or amendments to the Terms and Conditions of the Notes.

The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

(iii) *Potential for a fixed rate return*

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date (as defined in the Terms and Conditions of the Notes), and if the Issuer is unable (or elects not) to determine the same itself, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser, or the Independent Adviser has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, and if the Issuer is unable (or elects not) to determine the same itself, the Issuer will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, and if the Issuer is also unable (or elects not) to determine the same itself, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming fixed rate Notes.

The market continues to develop in relation to SONIA as a reference rate

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups have explored alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions of the Notes, as applicable to Notes referencing a

SONIA rate that are issued under the Programme. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The continued development of Compounded Daily SONIA (as defined in the Terms and Conditions of the Notes) as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market 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 the Programme from time to time.

Furthermore, interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period (as defined in the Terms and Conditions of the Notes) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, if Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 10, the rate of interest payable for the final Interest Accrual 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.

In addition, the manner of adoption or application of SONIA reference rates 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 SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

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

Risks related to Notes generally

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

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

As set out under “*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK banks and UK Building Societies which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*” above, the Issuer’s obligations in respect of the Notes, and/or its ability to satisfy its obligations thereunder, may be severely adversely affected in the event of the exercise of any stabilisation or other powers by the UK authorities under the recovery and resolution regime under the Banking Act.

While the exercise of any such powers by the UK resolution authorities will apply to the Issuer and the Notes and be binding on the Noteholders and Couponholders as a matter of the general application of English law, in addition, by acquiring any Notes or Coupons (or any interest therein), each Noteholder and Couponholder will acknowledge and accept that the Amounts Due (as defined in the Terms and Conditions of the Notes) arising under the Notes and Coupons may be subject to the exercise of the UK Bail-in Power (as defined in the Terms and Conditions of the Notes) and will acknowledge, accept, consent and agree to be bound by the effect of the exercise of any UK Bail-in Power by the Resolution Authority, that may result in (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, deferred shares (including core capital deferred shares) or other securities or other obligations of the

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

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

The Issuer is entitled, without the consent of the holders of any Notes, to issue further Notes

The Issuer is entitled, without the consent or approval of Noteholders or Couponholders of any Series, to issue further Notes, whether on such terms as would enable such Notes to be consolidated with, and form part of, an existing Series of Notes, or on any other terms. An offering of such securities may adversely affect the amounts (if any) which holders of the Notes may be eligible to receive on a winding up or dissolution of the Issuer, and could have an adverse effect on the market price of the Notes.

The Notes are not protected liabilities of the Issuer and holders of the Notes will not benefit from a government compensation scheme

The FSCS established under the Financial Services and Markets Act 2000 is the statutory fund of last resort for customers of authorised financial services firms, such as the Issuer, paying compensation to customers if the Issuer is unable, or likely to be unable, to pay certain claims (including in respect of deposits and insurance policies) made against it (together, “**Protected Liabilities**”).

The Notes are not, however, Protected Liabilities of the Issuer and, moreover, are not guaranteed or insured by any government, government agency or compensation scheme of the UK or any other jurisdiction.

Modification, waivers and substitution

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

The Trust Deed also provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the relevant Notes for the time being outstanding, or consent given by way of electronic consent through the relevant clearing systems by or on behalf of the holders of not less than 75 per cent. in nominal amount of the relevant Notes for the time being outstanding, shall also be effective as an

extraordinary resolution binding on all Noteholders, whether or not such Noteholders voted voting in favour of the relevant resolution.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes in the circumstances described in Condition 11 of the Terms and Conditions of the Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 12 of the Terms and Conditions of the Notes.

Change of law

The Terms and Conditions of the Notes 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 or tax treatment after the date of issue of the relevant Notes.

Integral multiples of less than the minimum specified denomination

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (e.g., £100,000) plus a higher integral multiple of another smaller amount (e.g. £1,000), it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will 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 such that it holds an amount equal to one or more Specified Denominations.

Risks related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid, and this may be exacerbated if there is a limited number of initial investors in the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and the market price of illiquid securities may be more volatile than those for which a highly liquid market exists. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Any secondary market which develops in respect of the Notes may also be severely adversely affected by a number of factors relating to the Issuer or the Notes specifically, including if the Issuer, any Notes or any of the Issuer's assets becomes subject to the exercise of recovery or resolution powers under the Banking Act, or if there is a market perception that such powers may be exercised.

Exchange rate risks and exchange controls

The 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

reevaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

Interest rate risks

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Fixed/Floating Rate Notes

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

Resetable Notes

In the case of any Series of Resetable Notes, the rate of interest on such Resetable Notes will be reset by reference to the then prevailing Mid-Swap Rate or the Benchmark Gilt Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in Condition 5(b) (*Interest on Resetable Notes*). The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Resetable Notes. Following any such reset of the rate of interest applicable to the Notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Resetable Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest (each as defined in the Terms and Conditions of the Notes).

Notes issued at a substantial discount or premium

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Risks related to succession and transfer of the Issuer's business

Condition 12 contains provisions applicable to the Notes upon an amalgamation by the Issuer with another building society under section 93 of the Act, a transfer of all or substantially all of its engagements to another building society under section 94 of the Act or a transfer by the Issuer of the whole of its business in accordance with section 97 of the Act to a company.

Those provisions enable (in the context of such amalgamation or transfer only) certain amendments to be made to the terms of the Notes without the consent of the Noteholders, which potentially could be adverse to the interests of Noteholders, subject to certain restrictions.

TERMS AND CONDITIONS OF THE NOTES

The following (save for paragraphs in italics, which are descriptive only and do not form part of the Terms and Conditions) is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or, as the case may be, Global Certificate representing each Series. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme, and references to any information being specified or identified “hereon” shall include any such item as is specified in the applicable Final Terms.

The Notes are constituted by an amended and restated trust deed dated 18 October 2024 (as amended and/or supplemented from time to time) (the “**Trust Deed**”) between the Issuer and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended, restated or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 18 October 2024 has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank plc as initial issuing and paying agent and registrar and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement (i) are available for inspection during usual business hours and upon reasonable notice at the specified offices of the Paying Agents and the Transfer Agents or (ii) may be provided by email to a Noteholder (as defined below) following their prior written request to the Trustee (at ctla.trustee.admin@hsbc.com (Attention: Manager, Client Services, Issuer Services)) or any Paying Agent (at ctlondon.conventional@hsbc.com; ctla.payingagency@hsbc.com (Attention: Manager, Client Services, Issuer Services)), in any such case upon provision of proof of a holding of Notes and identity (in a form satisfactory to the Trustee or the relevant Paying Agent, as the case may be). The applicable Final Terms, in the case of Notes listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange plc’s main market, will be published on the website of the London Stock Exchange plc (the “**London Stock Exchange**”) through a regulatory information service.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement and the relevant Final Terms.

1 Form, Denomination and Title

The Notes are issued (i) in bearer form and in registered form (“**Exchangeable Series**”), (ii) in bearer form only (“**Bearer Series**”) or (iii) in registered form only (“**Registered Series**”), as specified in the applicable

Final Terms. Bearer Notes (as defined below) will be issued in the Specified Denomination(s) shown hereon. Registered Notes (as defined below) will be issued in multiples of the Specified Denomination shown hereon.

Notes in bearer form (“**Bearer Notes**”) comprised in an Exchangeable Series (“**Exchangeable Bearer Notes**”) are exchangeable for Notes in registered form (“**Registered Notes**”) and Registered Notes comprised in an Exchangeable Series (“**Exchangeable Registered Notes**”) are exchangeable for Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Resetable Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the interest basis shown hereon. This Note is a Senior Preferred Note, a Senior Non-Preferred Note or a Subordinated Note as so indicated in the applicable Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

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

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as required by applicable law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(g), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Exchangeable Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; **provided that** Exchangeable Bearer Notes surrendered in exchange for Exchangeable Registered Notes during the period from and including the Record Date in respect of any Interest Payment Date up to and including such Interest Payment Date will not be required to be surrendered with the Coupon relating to the interest payable on such Interest Payment Date.

Interest on an Exchangeable Registered Note issued in exchange for an Exchangeable Bearer Note will accrue as from the Interest Payment Date immediately preceding the date of surrender as aforesaid or, if none, the Interest Commencement Date, except where issued in respect of an Exchangeable Bearer Note surrendered during the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, in which event interest shall accrue as from such last mentioned Interest Payment Date.

Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) *Exchange of Exchangeable Registered Notes*

Subject as provided in Condition 2(g), Exchangeable Registered Notes may be exchanged for the same nominal amount of Exchangeable Bearer Notes at the request in writing of the relevant Noteholder and upon surrender of the Certificate representing such Exchangeable Registered Notes to be exchanged at the specified office of any Transfer Agent.

Interest on an Exchangeable Registered Note to be exchanged for Exchangeable Bearer Notes will cease to accrue as from the Interest Payment Date immediately preceding the date of surrender as aforesaid or, if none, the Interest Commencement Date, except where the date of such surrender falls in the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, in which event interest will cease to accrue as from such last-mentioned Interest Payment Date.

Where relevant, Exchangeable Bearer Notes issued in exchange for Exchangeable Registered Notes will be issued together with all Coupons in respect of all Interest Payment Dates falling after the date of such surrender as aforesaid or, if such surrender falls during the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, with Coupons in respect of all Interest Payment Dates falling after such Interest Payment Date, together with any Talons maturing after such date.

Registered Notes that are not Exchangeable Registered Notes may not be exchanged for Bearer Notes.

(c) *Transfer of Registered Notes*

Subject as provided in Conditions 2(g) and (h), Registered Notes may be transferred in whole or in part in a multiple of a Specified Denomination upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(d) *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.

(e) ***Delivery of New Certificates***

Each new Certificate to be issued pursuant to Conditions 2(a), (b), (c) or (d) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) or surrender of the Certificate for exchange.

Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(e), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(f) ***Exchange Free of Charge***

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

(g) ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note or Exchangeable Registered Note to be exchanged (i) during the period of 15 days ending on the due date for redemption of that Note (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)(ii)).

(h) ***Regulations***

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3 Status, Ranking and Subordination

(a) ***Status and Ranking of Senior Preferred Notes***

This Condition 3(a) shall apply if this Note is a Senior Preferred Note, as specified hereon.

The Notes and the Coupons relating to them are direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and (subject to the provisions of Condition 4 and to the Ranking Legislation) constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Notes and the Coupons relating to them rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Note or any Coupon relating to a Note or (in each case) any beneficial interest therein, each holder of a Note or a Coupon relating to a Note acknowledges and

agrees that (subject to the provisions of Condition 4 and to the Ranking Legislation) the Notes and any such Coupons rank junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law) and at least equally with all other ordinary non-preferential debt of the Issuer under the Ranking Legislation.

As used in these Conditions, “**ordinary non-preferential debt**” has the meaning given to it (or any successor term) in the Ranking Legislation.

(b) Status and Ranking of Senior Non-Preferred Notes; No set-off

This Condition 3(b) shall apply if this Note is a Senior Non-Preferred Note, as specified hereon.

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

(i) Status and Ranking

The Notes and the Coupons relating to them are direct and unsecured obligations of the Issuer and, subject to the Ranking Legislation, constitute secondary non-preferential debt for the purposes of the Ranking Legislation.

Subject to the Ranking Legislation, the Notes and the Coupons relating to them rank junior to the Senior Preferred Notes and any Coupons relating to them, and rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Note or any Coupon relating to a Note or (in each case) any beneficial interest therein, each holder of a Note or a Coupon relating to a Note acknowledges and agrees that, subject to the Ranking Legislation, the claims of the Trustee, the Noteholders and the Couponholders against the Issuer in respect of, or arising under, the Notes or the Coupons relating thereto (including, without limitation, any damages awarded for breach of the Issuer’s obligations in respect thereof) will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), rank:

- (A) junior in right of payment to all Senior Claims;
- (B) *pari passu* with all other Senior Non-Preferred Claims; and
- (C) in priority to all Subordinated Claims.

As used in these Conditions, “**secondary non-preferential debt**” has the meaning given to it (or any successor term) in the Ranking Legislation.

(ii) No Set-off

Subject to applicable law, no holder of a Note or a Coupon relating to a Note (or, in each case, any interest therein) 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 arising under or in connection with the Notes or any Coupons relating to them and each Noteholder and Couponholder shall, by virtue of being the holder of (or holder of any interest in) any such Note or Coupon, be deemed to have waived all such rights of set-off, compensation and retention both before and during any winding up, liquidation or administration of the Issuer.

Notwithstanding the provisions of the foregoing sentence, if any amounts owed to any Noteholder or Couponholder by the Issuer arising under or in connection with any Note or any Coupon relating to a Note is discharged by set-off, compensation or retention, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of the winding up or administration of the Issuer, the liquidator or (as the case may be) administrator or other insolvency official of the Issuer (and until such payment is made shall hold an amount equal thereto on trust for the Issuer or, as the case may be, the liquidator, administrator or other insolvency official) and accordingly such discharge will be deemed not to have taken place.

N.B. Attention is drawn to “Certain Provisions of the Building Societies Act 1986 (as amended) and the Supervisory Authority” elsewhere in this Prospectus.

Condition 3(b)(ii) shall not be construed as indicating or acknowledging that any rights of set-off (including, without limitation, compensation or retention), counterclaim or netting would, but for this Condition 3(b)(ii), otherwise be available to any holder of a Note or a Coupon relating to a Note.

(c) Status and Ranking of Subordinated Notes; No set-off

This Condition 3(c) shall apply if this Note is a Subordinated Note, as specified hereon.

(i) Status and Ranking

The Notes and the Coupons relating to them constitute direct and unsecured obligations of the Issuer and, subject to the Ranking Legislation, constitute tertiary non-preferential debt for the purposes of the Ranking Legislation.

Subject to the Ranking Legislation, the Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes, the Senior Non-Preferred Notes and (in each case) any Coupons relating thereto. The Notes and the Coupons relating to them rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Note or any Coupon relating to a Note or (in each case) any beneficial interest therein, each holder of a Note or a Coupon relating to a Note acknowledges and agrees that, subject to the Ranking Legislation, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), the claims of the Trustee, the Noteholders and the Couponholders against the Issuer in respect of, or arising under, the Notes or the Coupons relating to them (including, without limitation, any damages awarded for breach of the Issuer’s obligations in respect thereof) will:

- (A) be subordinated in right of payment in the manner provided in the Ranking Legislation and in the Trust Deed to (I) all Senior Claims, (II) all Senior Non-Preferred Claims and (III) all Subordinated Claims (if any) which rank, or are expressed by their terms to rank, in priority to claims in respect of the Notes;
- (B) rank at least *pari passu* with the claims of the holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, as at their respective issue dates, Tier 2 Capital; and
- (C) rank in priority to the claims of holders of any subordinated obligations whose claims rank or are expressed by their terms to rank junior in right of payment to the Notes or the Coupons relating to them, as the case may be, and, for the avoidance of doubt, ahead of all claims in respect of any Deferred Shares (as defined below) in the Issuer.

As used in these Conditions, “**tertiary non-preferential debt**” has the meaning given to it (or any successor term) in the Ranking Legislation.

(ii) *No Set-off*

Subject to applicable law, no holder of a Note or a Coupon relating to a Note (or, in each case, any interest therein) 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 arising under or in connection with the Notes or any Coupons relating to them and each Noteholder and Couponholder shall, by virtue of being the holder of (or holder of any interest in) any such Note or Coupon, be deemed to have waived all such rights of set-off, compensation and retention, both before and during any winding-up, liquidation or administration of the Issuer.

Notwithstanding the provisions of the foregoing sentence, if any amounts owed to any Noteholder or Couponholder by the Issuer arising under or in connection with any Note or any Coupon relating to a Note is discharged by set-off, compensation or retention, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of the winding-up or administration of the Issuer, the liquidator or (as the case may be) administrator or other insolvency official of the Issuer (and until such payment is made shall hold an amount equal thereto on trust for the Issuer or, as the case may be, the liquidator, administrator or other insolvency official) and accordingly such discharge will be deemed not to have taken place.

N.B. Attention is drawn to “Certain Provisions of the Building Societies Act 1986 (as amended) and the Supervisory Authority” elsewhere in this Prospectus.

Condition 3(c)(ii) shall not be construed as indicating or acknowledging that any rights of set-off (including, without limitation, compensation or retention), counterclaim or netting would, but for this Condition 3(c)(ii), otherwise be available to any holder of a Note or a Coupon relating to a Note.

(d) **Definitions**

As used in these Conditions:

“**Act**” means the Building Societies Act 1986 (as amended) (and includes, where applicable, any statutory modification thereof or re-enactment or any statutory instrument, order or regulations made thereunder);

“**Additional Tier 1 Capital**”, “**CET1 Capital**” and “**Tier 2 Capital**”, have the meanings given to them by the Supervisory Authority in accordance with the Applicable Rules (each as defined in Condition 6(j));

“**Deferred Shares**” means deferred shares within the meaning of the Act;

“**Excluded Dissolution**” means each of (i) a winding up or dissolution of the Issuer for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a Successor in Business (as defined in the Trust Deed) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed), and (ii) a dissolution of the Issuer following, or in connection with, a Permitted Transfer (as defined in Condition 10(a)) where the successor entity is substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and any relative Coupons;

“**FSMA**” means the Financial Services and Markets Act 2000, as amended;

“**Insolvency Act**” means the Insolvency Act 1986, as amended or superseded from time to time;

“**Ranking Legislation**” means (i) the Act (ii) the Insolvency Act and (iii) any other law or regulation from time to time which is applicable to the Issuer and relevant for determining the rights of members and creditors of the Issuer in a winding up or dissolution of the Issuer;

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

- (i) claims of depositors of the Issuer;
- (ii) (in respect of a winding up while the Issuer remains a building society) claims of members holding shares (other than Deferred Shares) in the Issuer as regards the principal and any interest due in respect of those shares; and
- (iii) claims of creditors in respect of ordinary non-preferential debts of the Issuer and all other obligations of the Issuer which are preferred by law to secondary non-preferential debts;

“**Senior Non-Preferred Claims**” means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims of creditors in respect of secondary non-preferential debts of the Issuer; and

“**Subordinated Claims**” means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which rank, or are expressed by their terms to rank, junior to claims in respect of the Senior Non-Preferred Notes or other Senior Non-Preferred Claims, including (without limitation) (i) claims of creditors in respect of the Subordinated Notes and (ii) the obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital, Additional Tier 1 Capital or CET1 Capital, including, for the avoidance of doubt, all claims in respect of Deferred Shares.

4 Negative Pledge

This Condition 4 applies only if this Note is a Senior Preferred Note. It does not apply if this Note is a Senior Non-Preferred Note or a Subordinated Note.

(a) Restriction

So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed) the Issuer will neither create nor have outstanding any mortgage, lien pledge, charge or other security interest (other than Permitted Security Interests) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Loan Stock, or any guarantee of or indemnity in respect of any Loan Stock without at the same time or prior thereto securing the Notes and Coupons equally and rateably therewith to the satisfaction of the Trustee or providing such other security or other arrangements for the Notes and Coupons as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the holders of the Notes or which shall be approved by an Extraordinary Resolution of the holders of the Notes.

(b) Definitions

For the purposes of this Condition:

“**Government Entities**” means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to the United Kingdom or a member state of the European Economic

Area or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not);

“**Loan Stock**” means indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other established securities market (whether or not initially distributed by way of private placement), but excluding any such indebtedness which has a stated maturity not exceeding one year; and

“**Permitted Security Interest**” means a lien arising by operation of law or any security interest created by the Issuer over the whole or any part of its present or future assets or revenues where such assets or revenues are comprised only of the following (or are otherwise qualifying collateral for issues of covered bonds (howsoever described) pursuant to any relevant contractual arrangements); (i) mortgage receivables; or (ii) receivables against Government Entities; or (iii) asset-backed securities backed by any of the assets under (i) or (ii); or (iv) any other assets permitted by English law (in force as at the date on which agreement is reached to issue the first Tranche of the relevant Series) to collateralise covered bonds, in each case **provided that** the creation of such security interest is pursuant to the relevant contractual arrangements or, as the case may be, specific provisions of the laws of England and Wales relating to covered bonds (howsoever described) applicable at the time of creation of such security interest.

5 Interest and other Calculations

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) *Interest on Resettable Notes*

Each Resettable Note bears interest on its outstanding nominal amount:

- (i) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date at the rate per annum (expressed as a percentage) equal to the Initial Rate of Interest;
 - (ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified hereon, the Maturity Date, at the First Reset Rate of Interest;
 - (iii) for each Subsequent Reset Period (if any), at the relevant Subsequent Reset Rate of Interest,
- such interest being payable in arrear on each Interest Payment Date.

The amount of interest payable shall be determined in accordance with Condition 5(g).

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no

Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to Screen Rate Determination shall apply.

(A) *Screen Rate Determination for Floating Rate Notes – Term Rate*

(x) Where Screen Rate Determination and Term Rate are both specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(i) and as provided below, be either:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question, plus or minus (as indicated hereon) the applicable Margin, all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period) from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period.

(B) *Screen Rate Determination for Floating Rate Notes – Overnight Rate - SONIA - Non-Index Determination*

Where Screen Rate Determination and Overnight Rate are specified hereon as the manner in which the Rate of Interest is to be determined, the Reference Rate is specified hereon as being SONIA, and Index Determination is specified hereon as being 'Not Applicable', the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(i) and as provided below, be Compounded Daily SONIA with respect to such Interest Accrual

Period plus or minus (as indicated hereon) the applicable Margin, all as determined by the Calculation Agent.

“**Compounded Daily SONIA**” means with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as the reference rate for the calculation of interest) as 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 fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

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

- (a) where “Lag” is specified hereon as the Observation Method, the relevant Interest Accrual Period; or
- (b) where “Observation Shift” is specified hereon as the Observation Method, the relevant Observation Period;

“**d₀**” means:

- (a) where “Lag” is specified hereon as the Observation Method, the number of London Banking Days in the relevant Interest Accrual Period; or
- (b) where “Observation Shift” is specified hereon as the Observation Method, the number of London Banking Days in the relevant Observation Period;

“**i**” is a series of whole numbers from one to “**d₀**”, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

- (a) where “Lag” is specified hereon as the Observation Method, the relevant Interest Accrual Period; or
- (b) where “Observation Shift” is specified hereon as the Observation Method, the relevant Observation Period;

“**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_i**”, for any London Banking Day “**i**”, means the number of calendar days from, and including, such London Banking Day “**i**” up to, but excluding, the following London Banking Day;

“**Observation Period**” means, in respect of an Interest Accrual Period, the period from, and including, the date falling “**p**” London Banking Days prior to the first day of the relevant Interest Accrual Period and ending on, but excluding, the date falling “**p**” London Banking Days prior to the Interest Period Date for such Interest Accrual 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:

- (a) where “Lag” is specified hereon as the Observation Method, the number of London Banking Days specified hereon as the “SONIA Lag Period (p)” (or, if no such number is specified, five London Banking Days);
- (b) where “Observation Shift” is specified hereon as the Observation Method, the number of London Banking Days specified hereon as the “SONIA Observation Shift Period (p)” (or, if no such number is specified, five London Banking Days);

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

“**SONIA_i**” means the SONIA reference rate for:

- (a) where “Lag” is specified hereon as the Observation Method, the London Banking Day falling “p” London Banking Days prior to such London Banking Day “i”; or
- (b) where “Observation Shift” is specified hereon as the Observation Method, the relevant London Banking Day “i”.

Fallback provisions

Subject to Condition 5(i), if, in respect of any London Banking Day on which an applicable SONIA reference rate is required to be determined, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then such SONIA reference rate determined by the Calculation Agent shall be:

- (1) the sum of: (i) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant London Banking Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days in respect of which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
- (2) if the Bank Rate under (1)(i) above is not available at the relevant time, either (i) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day in respect of which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (ii) if more recent, the latest rate determined under (1) above,

and in each case references to “SONIA reference rate” in Condition 5(c)(ii)(B) above shall be construed accordingly.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(c)(ii)(B), and without prejudice to Condition 5(i), the Rate of Interest shall be:

- (i) that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
- (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

(C) *Screen Rate Determination for Floating Rate Notes – Overnight Rate - SONIA - Index Determination*

Where Screen Rate Determination and Overnight Rate are specified hereon as the manner in which the Rate of Interest is to be determined, the Reference Rate is specified hereon as being SONIA and Index Determination is specified hereon as being ‘Applicable’, the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(i) and as provided below, be the Compounded Daily SONIA Rate with respect to such Interest Accrual Period plus or minus (as indicated hereon) the applicable Margin, all as determined by the Calculation Agent.

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

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

where:

“**d**” is the number of calendar days from (and including) the day in relation to which SONIA Compounded Index_{Start} is determined to (but excluding) the day in relation to which 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;

“**Relevant Number**” is the number specified as such hereon (or, if no such number is specified, five);

“**SONIA Compounded Index** _{start}” means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Accrual Period; and

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

Fallback provisions

If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Accrual Period for which the SONIA Compounded Index is not available shall be “Compounded Daily SONIA” determined in accordance with Condition 5(c)(ii)(B) above as if “*Index Determination*” were specified hereon as being ‘Not Applicable’, and for these purposes: (i) the “*Observation Method*” shall be deemed to be “*Observation Shift*” and (ii) the “*SONIA Observation Shift Period (p)*” shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been specified hereon.

(D) *Linear Interpolation*

Where “**Linear Interpolation**” is specified as applicable in respect of an Interest Period hereon, 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 Screen Page, one of which shall be determined as if the Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the 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 there is no rate 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) *Negative Interest Rates*

If, in accordance with Condition 5(g) below, the calculation of the amount of interest payable per Calculation Amount for any Interest Accrual Period results in a negative number, then such amount shall be deemed to be zero and no interest shall be payable on the Notes in respect of such Interest Accrual Period.

(iv) *Determination of Rate of Interest following acceleration – Overnight Rates*

Where Screen Rate Determination and Overnight Rate are specified hereon as the manner in which the Rate of Interest is to be determined, if the Notes become due and payable in accordance with Condition 10, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon in accordance with the Trust Deed.

(d) ***Zero Coupon Notes***

Where a Note, the Interest Basis of which is specified hereon to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in Condition 6(b)(i)(B).

(e) ***Accrual of Interest***

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest (or, in the case of Resettable Notes, at the Initial Rate of Interest, the First Reset Rate of Interest or at the relevant Subsequent Reset Rate of Interest, as applicable) in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) ***Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding***

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), then each Rate of Interest, in the case of (x), or each Rate of Interest for the specified Interest Accrual Periods, in the case of (y), will be calculated in accordance with the relevant provisions of Condition 5(b) including by adding to the relevant reference rate (if a positive number) or subtracting from the relevant reference rate (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “**unit**” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) ***Calculations***

Subject to Condition 5(c)(iii), the amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest (or, in the case of Resettable Notes, the Initial Rate of Interest, the First Reset Rate of Interest or any Subsequent Reset Rate of Interest, as applicable), the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in

respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) Fallback Provision for Resettable Notes based on Mid-Swap Rates

If the Reset Rate is specified as being Mid-Swap Rate 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 (as defined below) 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, 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 on any Reset Determination Date only one or 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(h), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined as if, and on the assumption that, the relevant Mid-Swap Rate were equal to:

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

For the purposes of this Condition 5(h), “**Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(i) Benchmark discontinuation

- (i) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate

(in accordance with Condition 5(i)(ii)) and, in either case, an Adjustment Spread (in accordance with Condition 5(i)(iii)) and any Benchmark Amendments (in accordance with Condition 5(i)(iv)).

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(i) prior to the relevant Interest Determination Date, the Issuer shall nevertheless be entitled (but not obliged), acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Independent Adviser pursuant to this Condition 5(i) (and references in this Condition 5(i) to any calculation or determination made, or to be made, by an Independent Adviser shall be construed accordingly). If, however, the Issuer is unable (or elects not) to determine a Successor Rate or an Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments in accordance with this Condition 5(i), the provisions of Condition 5(i)(vi) below shall apply.

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(i)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(i)).

(iii) *Adjustment Spread*

The Adjustment Spread (which may be negative, positive or zero, or may be a formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or relevant component part thereof).

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(i) and the Independent Adviser determines (i) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate (having regard to prevailing market practice, if any) and, in either case, any applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(i)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories pursuant to Condition 5(i)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to

concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed and/or the Agency Agreement, as the case may be), provided that the Trustee shall not be obliged to so concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions, Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 5(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 5(i), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(i) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(i) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by two Authorised Signatories:

- (A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate and, (c) in either case, the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(i); and
- (B) certifying that the Benchmark Amendments (if any) are necessary or expedient to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(i), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of

action in making any determination or calculation under this Condition 5(i), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 5(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(c)(ii)(A), Condition 5(c)(ii)(B), Condition 5(c)(ii)(C) or Condition 5(h), as the case may be, will continue to apply unless and until Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) determined in accordance with this Condition 5(i).

If, following the occurrence of a Benchmark Event, the Independent Adviser and the Issuer are unable to determine the applicable Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) with respect to any applicable Interest Determination Date or Reset Determination Date (as applicable), the Issuer will be required to re-apply the provisions of this Condition 5(i), *mutatis mutandis*, at least once per annum until the applicable Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) have been determined and notified to the Calculation Agent.

(vii) *Restriction on Independent Adviser and Issuer liability*

An Independent Adviser appointed pursuant to this Condition 5(i) shall act in good faith.

In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Paying Agents, the Issuing and Paying Agent, the Calculation Agent or the Noteholders or Couponholders for any determination made by the Issuer or the Independent Adviser or (in the case of the Independent Adviser) for any advice given to the Issuer in connection with any determination pursuant to this Condition 5(i).

(viii) *Regulatory Capital / Eligible Liabilities*

Notwithstanding any other provision of this Condition 5(i), the Issuer shall not be required to adopt any Successor Rate, Alternative Rate or Adjustment Spread, nor to effect any Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected either:

- (i) to prejudice the qualification of the Notes as Tier 2 Capital and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of any Loss Absorption Regulations; or
- (ii) (if this Note is a Senior Non-Preferred Note only) to result in the relevant Supervisory Authority treating the relevant Interest Payment Date or the Resettable Note Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date specified in the applicable Final Terms.

In such event, the Issuer shall be entitled to apply the provisions of this Condition 5(i) with such further adjustments as it considers necessary to avoid the consequences described under (i) and/or (ii) above, provided that the Issuer, acting in good faith and in a commercial reasonable manner, has determined that so doing shall not be materially less favourable to Noteholders than failing to apply the provisions of this Condition 5(i) at all.

(ix) *Definitions*

As used in these Conditions:

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

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

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(i)(ii) has replaced the Original Reference Rate in customary market usage, or is an industry-accepted rate, in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes.

“**Authorised Signatory**” means any Director of the Issuer or any other person confirmed in writing by the Issuer to the Trustee as a person designated by the Issuer as an Authorised Signatory.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(i)(iv).

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

- (A) the Original Reference Rate ceasing to exist or to be published or administered on a permanent or indefinite basis; or
- (B) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (D) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be prohibited from being used, is no longer (or will no longer be) representative of its underlying market or that its use will be subject to restrictions or adverse consequences, in each case in circumstances where the same shall be applicable to the Notes; or
- (E) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for any Paying Agent, Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

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

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

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

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“Independent Adviser” means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer under Condition 5(i)(i).

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

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

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as

applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

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

(j) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts***

The Calculation Agent shall, as soon as practicable on each Interest Determination Date (and, in the case of Resetable Notes, each Reset Determination Date), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period or Reset Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest, the Reset Rate of Interest and the Interest Amounts for each Interest Accrual Period or Reset Period and the relevant Interest Payment Date or Resetable Note Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on the official list (the “**Official List**”) of the Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority under FSMA or on any stock exchange or other relevant authority and the rules of the FCA, such stock exchange or other relevant authority, as the case may be, so require, the FCA, such stock exchange or other relevant authority, as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period and/or Reset Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest, Reset Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination.

Where any Interest Payment Date, Resetable Note Interest Payment Date, Reset Date or Interest Period Date is subject to adjustment pursuant to Condition 5(l), the Interest Amounts, Rate of Interest (if applicable) and the Interest Payment Date or Resetable Notes Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period or Reset Period.

If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest or Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest, Reset Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

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

If (notwithstanding the provisions of Condition 5(n) below) the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest or Reset Rate of Interest for an Interest Accrual Period or Reset Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may, but is under no requirement to, do so (or may appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

In no circumstances shall any liability whatsoever accrue to the Trustee as a result of acting or refraining to act under this Condition 5(k).

(l) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then (subject to Condition 7(h) below), if the Business Day Convention specified is:

- (A) the “**Floating Rate Business Day Convention**”, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;
- (B) the “**Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day;
- (C) the “**Modified Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (D) the “**Preceding Business Day Convention**”, such date shall be brought forward to the immediately preceding Business Day.

(m) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Benchmark Gilt**” means, in respect of a Reset Period, such United Kingdom government security selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period;

“**Benchmark Gilt Rate**” means, in respect of a Reset Period, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Benchmark Gilt, expressed as a percentage, as determined by the Calculation Agent as follows on the basis of the Gilt Reference Bank Quotations provided to the Calculation Agent (upon request by or on behalf of the Issuer) by the Gilt Reference Banks at or around 3:00 p.m. (London time) on the relevant Reset Determination Date. If four or more Gilt Reference Bank Quotations are so provided, the Reset Rate shall be the arithmetic average of such Gilt Reference Bank Quotations after excluding the highest (or, in the event of equality, one of the highest) and lowest (or, in the event of equality, one of the lowest) such Gilt Reference Bank Quotations. If only two or three Gilt Reference Bank Quotations are so provided, the Reset Rate shall be the arithmetic average of all such quotations. If only one Gilt Reference Bank Quotation is so provided, the Reset Rate shall be the quotation provided. If no Gilt Reference Bank Quotations are so provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the First Reset Period, the Benchmark Gilt Rate in respect of the immediately preceding Reset Period or (ii) in the case of the First Reset Period, shall be the Benchmark Gilt Fallback Rate specified in the applicable Final Terms;

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, any day on which T2 is open for the settlement of payments in euro (a **“TARGET Business Day”**); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres (if specified hereon) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres;

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/365 (Sterling)”** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **“Actual/360”** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30;

- (viii) if “**Actual/Actual – ICMA**” is specified hereon:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (b) if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

“Determination Date” means the date(s) specified as such hereon or, if none is so specified, each Interest Payment Date;

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“Effective Date” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

“Eurozone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

“First Margin” means the margin specified as such hereon;

“First Reset Date” means the date specified as such hereon;

“First Reset Period” means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date, or if no such Second Reset Date is specified hereon, the Maturity Date;

“First Reset Rate of Interest” means, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the First Margin;

“Gilt Reference Bank Quotations” means, with respect to each Gilt Reference Bank and the relevant Reset Determination Date, the arithmetic mean average, as determined by the Calculation Agent, of the bid and offered yields to maturity or interpolated yields to maturity (on the relevant day count basis) for the relevant Benchmark Gilt (expressed in each case as a percentage) at or around 3:00 p.m. on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Gilt Reference Bank;

“Gilt Reference Banks” means in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Issuer in its discretion;

“Initial Rate of Interest” means the initial rate of interest per annum specified as such hereon;

“Interest Accrual Period” means (as the context admits):

- (i) the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date; and
- (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the Notes become due and payable in accordance with Condition 10, shall be the date on which the Notes become due and payable);

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon;

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Period Date” means each Interest Payment Date or Resettable Note Interest Payment Date unless otherwise specified hereon;

“ISDA Definitions” means (i) unless otherwise specified hereon or if “2006” is specified hereon, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date for the first Tranche of the Notes; or (ii) if “2021” is specified hereon, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes as at the Issue Date for the first Tranche of the Notes; or (iii) as otherwise specified hereon;

“Mid-Market Swap Rate” means (subject to Condition 5(h) and Condition 5(i)) 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 basis of the Day Count Fraction specified hereon as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Resettable Note Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified hereon) (calculated on the basis of the Day Count Fraction specified hereon as determined by the Calculation Agent);

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

“Mid-Swap Floating Leg Benchmark Rate” means (subject to Condition 5(i), if applicable) the reference rate specified as such in the applicable Final Terms or, if no such reference rate is so specified:

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

“**Mid-Swap Maturity**” means as specified hereon.

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 5(h) and, if applicable, Condition 5(i), either:

- (i) if ‘Single Mid-Swap Rate’ is specified hereon, the rate for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Resettable Note Reset Date,
 which appears on the Relevant Screen Page; or
- (ii) if ‘Mean Mid-Swap Rate’ is specified hereon, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the bid and offered swap rate quotations for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Resettable Note 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 **provided, however, that** if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

“**Reference Banks**” means, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market selected by the Calculation Agent or as specified hereon;

“**Reference Rate**” means the rate specified as such hereon;

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon;

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

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period;

“**Reset Rate**” means (a) if ‘Mid-Swap Rate’ is specified hereon, the relevant Mid-Swap Rate; or (b) if ‘Benchmark Gilt Rate’ is specified hereon, the relevant Benchmark Gilt Rate;

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

“**Resettable Note Interest Payment Date**” means each date specified as such hereon;

“**Resettable Note Reset Date**” means the First Reset Date, the Second Reset Date and every Subsequent Reset Date as may be specified as such hereon;

“**Second Reset Date**” means the date specified as such hereon;

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

“**Subsequent Margin**” means the margin(s) specified as such hereon;

“**Subsequent Reset Date**” means the date or dates specified as such hereon;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Date to (but excluding) the next Resettable Note Reset Date, and each successive period from (and including) a Resettable Note Reset Date to (but excluding) the next succeeding Resettable Note Reset Date;

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the applicable Subsequent Margin; and

“**T2**” means the real time gross settlement system operated by the Eurosystem, or any successor system.

(n) ***Calculation Agent***

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase, Substitution, Variation and Options

(a) *Final Redemption*

Unless previously redeemed, purchased and cancelled or substituted and cancelled as provided below, each Note shall be redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) *Early Redemption*

(i) *Zero Coupon Notes*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the amortised face amount (“**Amortised Face Amount**”) (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (A) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c). Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*

If the Issuer satisfies the Trustee immediately before the giving of such notice referred to below that:

- (i) as a result of any change in or amendment to the laws or regulations of the United Kingdom or of any political sub-division of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the latest Tranche of the Notes:
 - (A) on the next Interest Payment Date, the Issuer would be required to pay additional amounts as described under Condition 8; or

- (B) (if this Note is a Senior Non-Preferred Note or a Subordinated Note only) the Issuer would not be entitled to claim a deduction in respect of any interest payable in respect of the Notes in computing its taxation liabilities or the amount of any such deduction would be materially reduced; and
- (ii) such obligation or loss of entitlement (as applicable) cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may, at its option (but subject to Condition 6(j) if this Note is a Subordinated Note or Condition 6(k) if this Note is a Senior Non-Preferred Note) having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable) redeem all, but not some only, of the Notes on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note) at their Early Redemption Amount (as described in Condition 6(b) above) together with accrued and unpaid interest (if any) to, but excluding, the date fixed for redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that the relevant requirements referred to above will apply on the next Interest Payment Date and the Trustee shall be entitled to accept and rely on such certificate without liability to any person as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) *Redemption at the Option of the Issuer*

If Call Option is specified as applicable hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) (but subject to Condition 6(j) if this Note is a Subordinated Notes or Condition 6(k) if this Note is a Senior Non-Preferred Note) redeem all or, if so provided hereon, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with accrued and unpaid interest (if any) to, but excluding, the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon (if any) and no greater than the Maximum Redemption Amount to be redeemed specified hereon (if any).

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements. Where the Notes are listed on the Official List of the FCA or any stock exchange or other relevant authority and the rules of the FCA, such stock exchange or other relevant authority, as the case may be, so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation as specified by the FCA such stock exchange, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) *Redemption at the Option of Noteholders*

This Condition 6(e) applies only if this Note is a Senior Preferred Note or a Senior Non-Preferred Note.

If Put Option is specified as applicable hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the relevant Optional Redemption Date at its Optional Redemption Amount together with accrued and unpaid interest (if any) to, but excluding, the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Redemption Upon Capital Disqualification Event*

This Condition 6(f) applies only if this Note is a Subordinated Note.

If this Condition 6(f) is specified as being applicable hereon, then, following the occurrence of a Capital Disqualification Event (as defined below), the Issuer may (subject to Condition 6(j)) on giving not less than 15 nor more than 30 days' notice to the Trustee (with a copy to the Issuing and Paying Agent) and to the Noteholders in accordance with Condition 15, redeem all, but not some only, of the Notes on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note) at the Capital Disqualification Event Early Redemption Price specified hereon, together with accrued and unpaid interest (if any) to, but excluding, the date fixed for redemption.

Prior to giving the above notice to the Trustee pursuant to this Condition 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Capital Disqualification Event has occurred and is continuing, and the Trustee shall accept and rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence of the same and it shall be conclusive and binding on the Noteholders.

For these purposes, a "**Capital Disqualification Event**" shall be deemed to have occurred in respect of the Notes if there is a change (which has occurred or which the relevant Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Notes which becomes effective after the Issue Date of the latest Tranche of the Notes and that results, or would be likely to result, in:

- (i) if "Capital Disqualification Event: Full Exclusion" is specified hereon, the entire nominal amount of the Notes being excluded from the Tier 2 capital of the Issuer (whether on an individual or consolidated basis); or
- (ii) if "Capital Disqualification Event: Full or Partial Exclusion" is specified hereon, the entire nominal amount of the Notes or any part thereof being excluded from the Tier 2 capital of the Issuer (whether on an individual or consolidated basis),

in each case, excluding for these purposes any non-recognition as a result of any applicable limitations on the amount of such capital of the Issuer (other than a limitation imposed under grandfathering or transitional provisions).

(g) *Redemption following a Loss Absorption Disqualification Event*

This Condition 6(g) applies only if this Note is a Senior Non-Preferred Note.

If this Condition 6(g) is specified as being applicable hereon, then if a Loss Absorption Disqualification Event occurs, the Issuer may, in its sole discretion, subject to compliance with Condition 6(k), and having given not less than 15 nor more than 30 days' notice to the Trustee (with a copy to the Issuing and Paying Agent) and, in accordance with Condition 15, the Noteholders, redeem all, but not some only, of the Notes on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note) at the Loss Absorption Disqualification Event Early Redemption Price specified hereon, together with accrued and unpaid interest (if any) to, but excluding, the date fixed for redemption.

The Issuer may exercise its right to redeem the Notes notwithstanding the prior exercise by any holder thereof of its option to require the redemption of the Note(s) held by it under Condition 6(e) above if the due date for redemption under this Condition 6(g) would occur prior to that under Condition 6(e) but not otherwise and, in such circumstances, the exercise of the option under Condition 6(e) shall be rendered ineffective.

Prior to giving the above notice to the Trustee pursuant to this Condition 6(g), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Loss Absorption Disqualification Event has occurred and is continuing, and the Trustee shall accept and rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence of the same and it shall be conclusive and binding on the Noteholders.

As used herein:

A “**Loss Absorption Disqualification Event**” shall be deemed to have occurred in respect of the Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the Issue Date of the latest Tranche of the Notes, either:

- (i) if “Loss Absorption Disqualification Event: Full Exclusion” is specified hereon, the entire nominal amount of the Notes; or
- (ii) if “Loss Absorption Disqualification Event: Full or Partial Exclusion” is specified hereon, the entire nominal amount of the Notes or any part thereof,

is or (in the opinion of the Issuer or the relevant Supervisory Authority) is likely to be excluded from the Issuer's minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations;

provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the Issue Date of the latest Tranche of the Notes; and

“**Loss Absorption Regulations**” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom (including, without limitation, any provisions of the Insolvency Act 1986, as amended from time to time), any relevant Supervisory Authority and/or the Financial Stability Board then applicable in the United Kingdom and applicable to the Issuer (whether on an individual or consolidated basis), including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines, rules, standards and policies relating to

minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted or applied by any relevant Supervisory Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer).

(h) Purchases

The Issuer and any of its Subsidiaries (as defined in the Trust Deed) (subject to Condition 6(j) if this Note is a Subordinated Note or Condition 6(k) if this Note is a Senior Non-Preferred Note) may at any time purchase Notes (*provided that*, if this Note is a Bearer Note, all Coupons and unexchanged Talons relating hereto are attached thereto or surrendered herewith) in the open market or otherwise at any price.

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries which are to be surrendered for cancellation shall be surrendered for cancellation, if this Note is a Bearer Note, by surrendering such Note together with all Coupons and all unexchanged Talons relating hereto to the Issuing and Paying Agent or, if this Note is a Registered Note, by surrendering the Certificate representing such Note to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together, in the case of Bearer Notes, with all Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) Pre-conditions to Redemption or Purchase of Subordinated Notes

This Condition 6(j) applies only if this Note is a Subordinated Note.

Any redemption or purchase of the Notes pursuant to Conditions 6(c), 6(d), 6(f) or 6(h), or any modification of the Conditions or the Trust Deed in respect of the Notes, is subject to:

- (i) the Issuer having obtained Relevant Supervisory Consent therefor;
- (ii) the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that either: (A) the Issuer has (or before or at the same time as the relevant redemption or purchase will have) replaced the relevant Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the own funds and eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum requirements (including any buffer requirements) by a margin that the relevant Supervisory Authority considers necessary at such time; and
- (iii) in the case of any redemption or purchase prior to the fifth anniversary of the Issue Date of the latest Tranche of the Notes:
 - (A) in the case of redemption for taxation reasons pursuant to Condition 6(c), the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date of such latest Tranche;
 - (B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the relevant change in the regulatory classification of the Notes is sufficiently certain and was not reasonably foreseeable as at the Issue Date of such latest Tranche;

- (C) in the case of a purchase pursuant to Condition 6(h), the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the Issuer has (or before or at the same time as the relevant purchase will have) replaced the relevant Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the relevant Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
- (D) in the case of a purchase pursuant to Condition 6(h) (and subject to the Issuer or relevant Subsidiary then being permitted to conduct market-making activity under the Act), the relevant Notes being purchased for market-making purposes in accordance with the prevailing Applicable Rules.

Notwithstanding the foregoing, if, at the time of any redemption or purchase, the prevailing Applicable Rules permit such redemption, purchase or modification only after compliance with one or more additional or alternative preconditions to those set out above in this Condition 6(j), the Issuer shall comply (in addition or in the alternative, as the case may be) with such additional and/or alternative precondition(s).

For these purposes, as between the Issuer, the Trustee and the holders of the Notes, the Issuer shall be deemed to have complied with items the foregoing preconditions (as and where applicable) if it has obtained the Relevant Supervisory Consent, and a certificate signed by two Authorised Signatories stating that it has obtained the Relevant Supervisory Consent delivered to the Trustee (who shall accept and rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence of the same) shall be conclusive as to the Issuer having obtained such consent and shall be binding on the holders of the Notes.

In these Conditions:

“**Applicable Rules**” means, at any time, the laws, regulations, requirements, guidelines and policies relating to capital adequacy (including, without limitation, as to leverage) and prudential supervision then in effect in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines and policies relating to capital adequacy or prudential supervision adopted by the Supervisory Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and any holding or subsidiary company of it or any subsidiary of any such holding company);

“**Relevant Supervisory Consent**” means, in relation to any redemption, purchase, substitution, variation or modification of the Notes, such required permission (if any) of the Supervisory Authority for such redemption, purchase, substitution, variation or modification under the prevailing Applicable Rules; and

“**Supervisory Authority**” means the Prudential Regulation Authority, the Bank of England and/or any successor or other organisation responsible for prudential and/or resolution matters (as the context admits) concerning building societies or authorised persons under the FSMA in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction).

(k) ***Pre-conditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes***

This Condition 6(k) applies only if this Note is a Senior Non-Preferred Note.

Any redemption, purchase, substitution or variation of the Notes pursuant to Conditions 6(c), 6(d), 6(e), 6(g), 6(h) or 6(l) (as the case may be), or modification of the Conditions or the Trust Deed in respect of the Notes, shall be subject to:

- (i) the Issuer having obtained Relevant Supervisory Consent therefor; and
- (ii) compliance with any other pre-conditions to, or requirements applicable to, such redemption, purchase, substitution, variation or modification as may be required by the relevant Supervisory Authority or the Loss Absorption Regulations at such time, including, in the case of a redemption or purchase and to the extent then so required, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that.
 - (A) it has (or before or at the same time as the relevant redemption or purchase will have) replaced the relevant Notes with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
 - (B) the own funds and eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum requirements for own funds and eligible liabilities by a margin that the relevant Supervisory Authority considers necessary at such time; or
 - (C) the partial or full replacement of the relevant Notes with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the prevailing Regulatory Capital Requirements for continuing authorisation.

(l) *Substitution and Variation of Senior Non-Preferred Notes*

This Condition 6(l) applies if this Note is a Senior Non-Preferred Note unless “Senior Non-Preferred Notes: Substitution and Variation” is expressly specified to be “Not Applicable” hereon.

Upon the occurrence of a Loss Absorption Disqualification Event in respect of the Notes, the Issuer (in its sole discretion but subject to Condition 6(k)), having given notice of not more than 30 days nor less than 15 days prior to the date of substitution or variation (as the case may be) to the Trustee and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for substitution or variation, as applicable) may, without any requirement for the consent or approval of the Noteholders or Couponholders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes. Upon the expiry of the notice referred to above, the Issuer shall either substitute or, as the case may be, vary the terms of the Notes and, subject as set out below, the Trustee shall agree to such substitution or variation.

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

Any substitution or variation in accordance with this provision is subject to the following conditions:

- (i) the Issuer complying with Condition 6(k);
- (ii) such substitution or variation not resulting in any event or circumstance which at that time gives the Issuer a redemption right in respect of the resulting Loss Absorption Compliant Notes; and
- (iii) prior to the publication of any notice of substitution or variation, the Issuer having delivered to the Trustee a certificate signed by two Authorised Signatories stating that the Loss Absorption Disqualification Event giving rise to the right to substitute or vary the Notes has occurred as at the date of the certificate and that the applicable conditions set out in Conditions 6(k) have been

satisfied, and the Trustee shall be entitled to accept and rely on such certificate without liability to any person and without any further inquiry as sufficient evidence thereof, in which event it shall (in the absence of wilful default, manifest error or bad faith), and without prejudice to the Trustee's ability to rely on such certificate as aforesaid, be conclusive and binding on the Trustee and all Noteholders and Couponholders.

The Trustee shall, subject to the Issuer's compliance with Conditions 6(1)(i), 6(1)(ii) and 6(1)(iii) and the provision of the certificate signed by two Authorised Signatories as referred to in the definition of Loss Absorption Compliant Notes, and at the expense and cost of the Issuer, use reasonable endeavours to assist the Issuer in any substitution or variation of the Notes in accordance with this Condition 6(1), except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes would, in the Trustee's opinion, impose more onerous obligations upon it or expose the Trustee to any additional duties, responsibilities or liabilities in any respect or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any respect.

In connection with any such substitution or variation, the Trustee may rely without liability to any Noteholders, Couponholders or any other person on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institutions or any other experts, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate or advice and such report, confirmation, certificate or advice shall (in the absence of wilful default, manifest error or bad faith), and without prejudice to the Trustee's ability to rely on such certificate as aforesaid, be binding on the Issuer, the Trustee and the Noteholders and Couponholders.

In these Conditions:

"EEA regulated market" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended;

"Loss Absorption Compliant Notes" means securities that comply with the following (which compliance has been certified to the Trustee in a certificate signed by two Authorised Signatories and delivered to the Trustee prior to the relevant substitution or variation):

- (A) such securities are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;
- (B) such securities and any relative coupons rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) as part of the class of secondary non-preferential debts under the Ranking Legislation;
- (C) (subject to paragraph (B) above) such securities have terms not materially less favourable to Noteholders and Couponholders than the terms of the Notes and any relative Coupons (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing);
- (D) (without prejudice to paragraph (C) above) such securities: (1) contain terms such that they comply with the then applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's minimum requirements (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) bear the same rate of

interest from time to time applying to the Notes and preserve the same interest payment dates; (3) do not contain terms providing for deferral of payments of interest and/or principal; (4) preserve the obligations (including the obligations arising from the exercise of any right of a Noteholder) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to common equity tier 1 instruments (provided that any contractual acknowledgement of statutory loss absorption or resolution powers pursuant to the Loss Absorption Regulations shall not be prohibited by this Condition); and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the Notes and any relative Coupons which has accrued to Noteholders or Couponholders and not been paid;

- (E) such securities are listed on the same stock exchange or market as the Notes or the London Stock Exchange or any EEA regulated market or any market in an Organisation for Economic Co-operation and Development (OECD) member state selected by the Issuer; and
- (F) where the Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, such securities benefit from (or will, as announced, or otherwise confirmed in writing, by each such relevant Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the Notes immediately prior to their substitution or variation (unless any downgrade is solely attributable to the ranking of the securities under (B) above); and

“**Rating Agency**” means any of S&P Global Ratings UK Limited, Moody’s Investors Service Limited and Fitch Ratings Ltd and each of their respective affiliates or successors.

7 Payments and Talons

(a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) *Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) ***Payments in the United States***

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments subject to Fiscal Laws***

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***

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

The Issuer reserves the right at any time with the prior approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) a Paying Agent (which may be the Issuing and Paying Agent) having a specified office in London or another major European city and (vi) such other agents as may be required by any stock exchange on which the Notes may for the time being be listed, in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

(f) ***Unmatured Coupons and unexchanged Talons***

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as

the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means:

- (i) a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in:
 - (a) (in the case of Notes in definitive form only) the relevant place of presentation; and
 - (b) such jurisdictions (if any) as shall be specified as “Additional Financial Centres” (other than T2) hereon; and
- (ii) if T2 is specified as an “Additional Financial Centre” hereon, a day which is a TARGET Business Day; and
- (iii) either:
 - (a) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

- (b) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

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 deductions for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom, or any political sub-division of, or any authority in, or of, the United Kingdom having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall:

- (a) if this Note is a Senior Preferred Note, in respect of payments of interest (if any) or principal; or
- (b) if this Note is a Senior Non-Preferred Note or a Subordinated Note, in respect of payments of interest (if any) only,

pay such additional amounts as may be necessary in order that the net amounts received after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or the Coupons, as the case may be, in the absence of the withholding or deduction, except that no such additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) ***Other connection***

to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

(b) ***Presentation more than 30 days after the Relevant Date***

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the last day of such period of 30 days (assuming that day to have been a business day for the purpose of Condition 7(h)).

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

References in these Conditions to (i) “**principal**” shall be deemed to include (as applicable) any premium payable in respect of the Notes, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount, the Amortised Face Amount, the Capital Disqualification Event Early Redemption Price, the Loss Absorption Disqualification Event Early Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, if this Note is a Senior Non-Preferred Note or a Subordinated Note, the Issuer will not pay any additional amounts in respect of principal of such Note.

9 Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

(a) *Senior Preferred Notes: Enforcement*

This Condition 10(a) only applies if this Note is a Senior Preferred Note, and references in this Condition 10(a) to the Notes shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their nominal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each an “**Event of Default**”):

- (i) if default is made in the payment of any interest or principal due in respect of the Notes or any of them and the default continues for a period of 14 days or more (in the case of interest) or seven days or more (in the case of principal); or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) if any payment in respect of the principal of or any premium or interest on any indebtedness for monies borrowed having an outstanding aggregate nominal amount of at least £10,000,000 (or its equivalent in any other currency or currencies) of the Issuer or any Subsidiary is not made on its due date (or by the expiry of any applicable grace period) or any such indebtedness of the Issuer or any Subsidiary becomes due and payable prior to its stated maturity by reason of default or if any guarantee of or indemnity in respect of any such payment in respect of any such indebtedness of any third party by the Issuer or any Subsidiary is not honoured when due and called upon; or
- (iv) if an administrative or other receiver or an administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or in relation to the whole or a material part of the assets of any of them or if an encumbrancer takes possession of the whole or any material part of the assets of the Issuer or any Material Subsidiary or a distress of execution is levied or enforced upon or sued out against the whole or any material part of the assets of the Issuer or any Material Subsidiary and, in any such case, is not discharged within 60 days; or
- (v) if, except for the purposes of or pursuant to a Permitted Transfer (as defined below):
 - (1) the Issuer stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business; or
 - (2) the Supervisory Authority presents a petition for the winding up of the Issuer or an effective resolution, instrument of dissolution or award for dissolution is passed, entered into or made or an order is made or an effective resolution is passed for the winding up or the dissolution of the Issuer or the Issuer is wound up or dissolved in any other manner; or

- (3) an order is made pursuant to the Act the effect of which is to prevent the Issuer from accepting the deposit of, or otherwise borrowing, any money or from accepting any payment representing the whole or any part of the amount due by way of subscription for a share in the Issuer, other than a payment which fell due before the making of the said order; or
 - (4) the Issuer ceases to be an authorised person to carry on a deposit-taking business for the purposes of the FSMA or the registration of the Issuer as a building society is suspended or cancelled or the Issuer requests any such suspension or cancellation; or
 - (5) the Issuer amalgamates with, or transfers the whole or a material part of its engagements or its business to, another person; or
 - (6) the Issuer gives notice in writing pursuant to the FSMA that it wishes to renounce its authorisation to accept the deposit of, or otherwise borrow, any money; or
- (vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or for the purposes of a solvent winding up where the assets of a Material Subsidiary attributable directly or indirectly to the Issuer are distributed to any one or more of the Issuer and the other Material Subsidiaries:
- (1) a Material Subsidiary stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business; or
 - (2) an order is made by any competent court or resolution is passed for the winding up or dissolution of any Material Subsidiary,

provided, in the case of any Event of Default other than those described in sub-paragraphs 10(a)(i) and 10(a)(v)(2) above, the Trustee shall have certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

The Trustee shall not be bound to take any action to enforce the obligations of the Issuer under the Trust Deed or the Notes and Coupons, unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in nominal amount of the Notes outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing.

Definitions

For the purposes of these Conditions:

the “**Auditors**” shall mean the auditors for the time being of the Issuer or, any other auditors nominated or approved in writing by the Trustee in accordance with the Trust Deed;

a “**Material Subsidiary**” means at any time a Subsidiary of the Issuer whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries attributable to the Issuer, all as calculated respectively by reference to the then latest audited accounts (consolidated or unconsolidated, as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries **provided that:**

- (1) in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated accounts relate, the reference to the then latest audited consolidated accounts for the purpose of the calculation above shall, until consolidated accounts for the period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts, adjusted as if such Subsidiary had been shown in such accounts;
- (2) in the case of a Subsidiary that has transferred or has had transferred to it assets to or from another Subsidiary since the end of the financial period to which the last available audited consolidated accounts relates, the reference to the relevant accounts of such Subsidiary (and the relevant accounts of such other transferor or transferee Subsidiary) shall be deemed to be a reference to such accounts, adjusted so as to take into account such transfer;
- (3) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated total assets shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries; and
- (4) in relation to total assets of a Subsidiary and consolidated total assets of the Issuer and its Subsidiaries, “attributable to the Issuer” means, respectively, such total assets after deducting amounts attributable directly to indirectly, assuming there are no liabilities to be deducted, to outside interests in such Subsidiary and its Subsidiaries, respectively.

For the purposes of this definition if there shall at any time not be any relevant audited consolidated accounts for the Issuer and its Subsidiaries, references thereto herein shall be deemed to refer to a consolidation by the Auditors of the relevant audited accounts of the Issuer and its Subsidiaries.

A certificate signed by any two Authorised Signatories that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties to the Trust Deed (including for this purpose the Noteholders and Couponholders);

a “**Permitted Transfer**” shall mean:

- (1) an amalgamation of the Issuer and one or more other building societies under section 93 of the Act;
- (2) a transfer by the Issuer of all or substantially all (being 90 per cent. or more of the Issuer’s engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders) any smaller part of its engagements under section 94 of the Act;
- (3) a transfer by the Issuer of its business to a company under sections 97 to 102 of the Act;
- (4) an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an authorised person under the FSMA or to a body which is regulated on a similar basis to an authorised person under the FSMA; or
- (5) any other reconstruction or amalgamation or transfer to a subsidiary of another mutual society pursuant to the 2007 Act (as defined below), in each case the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders; and

a “**Subsidiary**” means, in relation to an entity, any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006) of such entity.

(b) Subordinated Notes and Senior Non-Preferred Notes: Enforcement

This Condition 10(b) only applies if this Note is a Subordinated Note or a Senior Non-Preferred Note, and references in this Condition 10(b) to Notes shall be construed accordingly.

- (i) *Non-payment when due*: In the event of default being made for a period of 14 days or more in the payment of any principal or interest due on the Notes or any of them, in each case as and when the same ought to be paid, the Trustee may, in order to enforce the obligations of the Issuer under the Trust Deed, the Notes and Coupons, at its discretion and after notice to the Issuer, institute proceedings for the winding up of the Issuer in England but (save as provided in Condition 10(b)(iii)) may take no other action in respect of such default.
- (ii) *Enforcement*: The Trustee may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Notes or Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or Coupons) **provided that** the Issuer shall not by virtue of the institution of any such proceedings (other than proceedings for the winding up of the Issuer) be obliged to pay any sum or sums representing principal or interest or any other amounts in respect of the Notes or Coupons sooner than the same would otherwise have been payable by it.
- (iii) *Winding-up or dissolution*: In the event of the cancellation of the Issuer’s registration under the Act (except pursuant to Section 103(1)(a) of the Act), the commencement of the winding up of the Issuer or the commencement of the dissolution of the Issuer (except in any such case an Excluded Dissolution), the Trustee at its discretion may give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their nominal amount together with accrued and unpaid interest (if any) as provided in the Trust Deed.
- (iv) *Rights of Trustee*: The Trustee shall not be bound to take any of the actions referred to above to enforce the obligations of the Issuer under the Trust Deed and the Notes and Coupons, unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (v) *Rights of Noteholders and Couponholders*: No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails or is unable to do so for a period of 60 days and such failure or inability is continuing. In such case, the Noteholders and Couponholders shall have only such rights of enforcement as are expressed to be available to the Trustee under this Condition 10(b).
- (vi) *Extent of remedy*: No remedy against the Issuer, other than the institution of proceedings for the winding up in England of the Issuer and/or the proving or claiming in any winding up or dissolution of the Issuer, shall be available to the Trustee, the Noteholders or the Couponholders except as are expressly provided in this Condition 10(b) for the recovery of amounts owing in respect of such Notes or the relative Coupons or under the Trust Deed in so far as it relates to the Notes or the relative Coupons.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders (including at a physical location or by way of conference call or by use of a videoconference platform or a combination of such methods) to consider any matter affecting their interests, including the sanctioning by Extraordinary

Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating (as applicable) the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount, the Capital Disqualification Event Early Redemption Price or the Loss Absorption Disqualification Event Early Redemption Price, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be one or more persons holding or representing not less than two thirds, or at any adjourned meeting not less than one third, in nominal amount of the Notes for the time being outstanding.

The Trust Deed provides that (i) an Extraordinary Resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. Any Extraordinary Resolution duly passed, signed or consented to as provided above shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed or, as the case may be, whether or not they participated in the signing or electronic consent process referred to above) and on all Couponholders.

(b) *Modification*

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in (and subject to the terms of) Condition 5(i) without the consent of the Noteholders or Couponholders.

If this Note is a Senior Non-Preferred Note, the Trustee shall also be obliged to concur with the Issuer in effecting any substitution or variation of the Notes as set out in (and subject to the terms of) Condition 6(I) without the consent of the Noteholders or Couponholders.

The Trust Deed contains, in addition, provisions permitting the Trustee to agree in respect of Notes denominated or payable in, or which contain provisions for any payment in, a Relevant Currency, without consent of the Noteholders or Couponholders, on or after the Specified Date (as defined below) in respect of such Relevant Currency to such modifications to Notes and the Trust Deed in order to facilitate payment in euro at the euro equivalent of the Relevant Currency payment amount and, where appropriate, associated reconventioning, renominatisation and related matters as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions). For these purposes, “**Relevant Currency**” means a currency of a member state of the European Community, as amended (the “**Relevant Member State**”) which is not as at the relevant Issue Date then participating in the third stage of economic and monetary union pursuant to the treaty establishing the European Community (the “**Treaty**”) and “**Specified Date**” in respect of a Relevant Currency means the date on which the Relevant Member State participates in the third stage of European economic and monetary union pursuant to the Treaty or otherwise participates in European economic and monetary union in a similar manner.

(c) ***Regulatory Consent***

If this Note is a Senior Non-Preferred Note or a Subordinated Note, any amendment, modification or substitution of the Notes shall be conditional upon the Issuer obtaining Relevant Supervisory Consent therefor (if and to the extent required by the Supervisory Authority or the Applicable Rules at such time).

(d) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in these Conditions) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders 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 consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12 Substitution

- (i) If the Issuer shall amalgamate with one or more other building societies under section 93 of the Act or transfer all or substantially all (being 90 per cent. or more of the Issuer’s engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) of its engagements to another building society under section 94 of the Act or transfer its business to a successor in accordance with sections 97 to 102D of the Act (as modified by the Mutual Societies (Transfers Order) 2009 (the “**Mutual Transfers Order**”) or any other order made in the future by HM Treasury under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the “**2007 Act**”), the successor will, pursuant to such provisions, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons without prior approval thereof being required from the Noteholders, the Couponholders or the Trustee, **provided that** in the case of Subordinated Notes and Senior Non-Preferred Notes where there is a proposed transfer in accordance with Section 97 and other such applicable provisions:

- (a) either (1) the Issuer satisfies the Trustee that the successor will be or (as the case may be) remain an authorised person under the FSMA (or any statutory modification or re-enactment thereof) or (2) such transfer is approved by an Extraordinary Resolution of the Noteholders;
 - (b) in connection with such transfer, any variation or supplement to these Conditions must not be one which would or might cause any of the financial resources derived by the Issuer from the issue of the Notes to which the Trust Deed relates and which comprise Tier 2 capital to be excluded from the financial resources considered appropriate by the Supervisory Authority for the purposes of paragraph 4(1) of Schedule 6 to the FSMA;
 - (c) the circumstances in which such variation or supplement may take place are limited to dealing with matters arising out of the procedure by which the transfer takes place and the constitution of the transferee, which variation or supplement shall be effected by the execution of a trust deed supplemental to the Trust Deed and shall bind any successor as fully as if the successor had been named in the Trust Deed as principal debtor in place of the Issuer. A memorandum of any such supplemental trust deed shall be endorsed by the Trustee on the Trust Deed and by the Issuer on the duplicate of the Trust Deed; and
 - (d) no variation or supplement to the terms of the Trust Deed or of these Conditions shall be made which would or might cause:
 - (A) any qualifying own funds or capital resources of the Issuer for the purposes of the Applicable Rules prevailing at that time to be excluded from such own funds or capital resources; or
 - (B) any liabilities of the Issuer which, for the purposes of the Loss Absorption Regulations prevailing at that time, qualify towards the Issuer's minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments to be excluded from such minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments.
- (ii) Without prejudice to paragraph (i) above and subject as provided in the Trust Deed, the Trustee may agree, without the consent of the Noteholders or Couponholders, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, to the transfer of the Issuer's business to a subsidiary of another mutual society pursuant to the 2007 Act or the substitution of either a Successor in Business to the Issuer (as defined in the Trust Deed) or a Subsidiary of the Issuer or a subsidiary of a Successor in Business to the Issuer, not being in any such case a building society formed by the amalgamation of the Issuer and one or more other building societies pursuant to section 93 of the Act or a building society to which the Issuer has transferred its engagements pursuant to section 94 of the Act or the successor in accordance with sections 97 to 102D of the Act (as modified by the Mutual Transfer Order) or other applicable provisions of the Act, in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons, **provided that** in the case of a substitution of a company which is a Subsidiary of the Issuer or a subsidiary of Successor in Business to the Issuer, the obligations of such substitute in respect of the Trust Deed, the Notes and Coupons shall be guaranteed by the Issuer or the Successor in Business to the Issuer, as the case may be, in such form as the Trustee may require and **provided further that** (in the case of Subordinated Notes) the obligations of such Successor in Business to the Issuer or Subsidiary of the Issuer or subsidiary of a Successor in Business to the Issuer, as the case may be, and any such guarantee shall be subordinated on a basis equivalent to that in respect of the Issuer's obligations in respect of the Notes and Coupons.

- (iii) Any substitution referred to in paragraphs (i) and (ii) above shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders by the Issuer as soon as practicable thereafter in accordance with these Conditions.

13 Replacement of Notes, Certificates, Coupons and Talons

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

14 Further Issues

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

15 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the United Kingdom (which is expected to be *The Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction, in addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18 Recognition of UK Bail-in Power

- (a) Notwithstanding, and to the exclusion of, any other term of the Notes or any other agreements, arrangements or understandings between the Issuer and any Noteholder (or the Trustee on behalf of any Noteholder), by its acquisition of any Note (or any interest therein), each Noteholder acknowledges and accepts that the Amounts Due arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and acknowledges, accepts, consents, and agrees to be bound by:
- (i) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in (without limitation) any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the Amounts Due;
 - (B) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, deferred shares (including core capital deferred shares), other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder of such shares, deferred shares (including core capital deferred shares), securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - (C) the cancellation of the Notes; and/or
 - (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, and/or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
 - (ii) the variation of the terms of the Notes and the Trust Deed, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.
- (b) No repayment or payment of Amounts Due on the Notes, will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.
- (c) Neither a reduction or cancellation, in part or in full, of the Amounts Due or the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes, will be an Event of Default or otherwise constitute a breach of or default under the terms of the Notes or the Trust Deed nor a default or event of default for any other purpose.

- (d) Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall promptly give notice to the Noteholders in accordance with Condition 15 and to the Trustee and the Paying Agents. Any delay or failure by the Issuer in delivering any notice referred to in this Condition shall not affect the validity or enforceability of the UK Bail-in Power or constitute an Event of Default or otherwise constitute a breach of or default under the terms of the Notes or the Trust Deed or for any other purpose.
- (e) For the purposes of this Condition 18:
- (i) “**Amounts Due**” means the principal amount of, and any accrued but unpaid interest on, the Notes. References to such amounts will include (but will not be limited to) amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority;
 - (ii) “**Resolution Authority**” means the Bank of England or any successor or replacement thereto and/or such other authority in the United Kingdom with the ability to exercise the UK Bail-in Power;
 - (iii) “**UK Bail-in Power**” means any write-down, conversion, transfer, modification, moratorium and/or suspension power (including, without limitation, any write-down or conversion powers which may be exercised by the Resolution Authority independently of resolution proceedings) existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, building societies, financial holding companies, mixed financial holding companies, credit institutions and/or investment firms (and/or any group company of any of the foregoing) incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of its group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009 and/or the Loss Absorption Regulations, in each case as amended from time to time; and
 - (iv) references in this Condition 18 to any “**Note**” or “**Noteholder**” shall be deemed to include reference to any “**Coupon**” or “**Couponholder**”, respectively, where the context admits, and references to Noteholder and Couponholder shall include holders of beneficial interests in any Note or Coupon, respectively.

19 Governing Law

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), such Global Notes or Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper 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 (“**Eurosystem Eligibility**”). Such recognition will depend upon satisfaction of the Eurosystem Eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. Euroclear and Clearstream, Luxembourg will be notified for each issue where the Global Note is an NGN or where the Global Certificates are held under the NSS whether or not such issue is intended to be held in a manner which would allow Eurosystem Eligibility.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

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

1 Exchange

(a) *Temporary Global Notes*

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Overview of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

In relation to any issue of Notes which are represented by a Temporary Global Note which is expressed to be exchangeable for definitive Bearer Notes at the option of the Noteholders, such Notes shall be tradeable only in principal amounts of at least the Specified Denominations (or, if more than one Specified Denomination, the lowest Specified Denomination and multiples thereof).

(b) *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 1(d) below, in part for Definitive Notes or, in the case of 1(d) below, Registered Notes:

- (i) by the Issuer giving notice to the Noteholders, the Issuing and Paying Agent and the Trustee if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) or in change in interpretation thereof, of the jurisdiction of the Issuer which would not be suffered were the Notes in definitive form and a certificate to such effect is given to the Trustee (which certificate may be relied upon by the Trustee without liability to any person and without further enquiry);
- (ii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes;
- (iii) if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System and each such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearing system satisfactory to the Trustee is available; and
- (iv) if principal in respect of any Notes is not paid when due (or within the originally applicable grace period), by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive note in respect of such holding and would need to

purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

(c) *Permanent Global Certificates*

If the Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the permanent Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System and each such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearing system satisfactory to the Trustee is available; or
- (ii) if principal in respect of any Notes is not paid when due (or within the originally applicable grace period); or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 1(c)(i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(d) *Partial Exchange of Permanent Global Notes and tradable amounts*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (i) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (ii) for Definitive Notes if principal in respect of any Notes is not paid when due (or within the originally applicable grace period).

The Notes, including any Definitive Notes that a Global Note may be exchangeable for at the option of the Noteholders or any Definitive Notes that a Temporary Global Note may be exchangeable for on the giving of notice, shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

(e) *Delivery of Notes*

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is an NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant

clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

(f) **Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

2 **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

(a) **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note in CGN Form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under an NGN will be made to its holder. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the appropriate entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System

Business Day immediately prior to the date for payment (the Record Date), where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

(b) Prescription

Claims against the Issuer in respect of Notes that are represented by a Global Note or Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

(c) Meetings

For the purposes of any meeting of Noteholders the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.

(d) Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

(e) Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

(f) Issuer’s Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

(g) Noteholders’ Option

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Note or Global Certificate may be exercised by the holder of the Global Note or Global Certificate giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is an NGN or where the relevant Global Certificate is held under the NSS, the Issuer shall procure that details of such

exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

(h) *NGN nominal amount*

Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

(i) *Trustee's Powers*

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

(j) *Notices*

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of one or more clearing systems, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to such clearing system(s) for communication by it or them to entitled accountholders, in substitution for publication as required by the Conditions. Such notice shall be deemed to have been given to Noteholders on the day on which such notice is delivered to the relevant clearing system(s).

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used by the Society in its general business operations (which may include the repayment or refinancing of other indebtedness).

CERTAIN PROVISIONS OF THE ACT AND REQUIREMENTS OF THE SUPERVISORY AUTHORITY

In this section, “**Supervisory Authority**” means the PRA and any successor organisation responsible for the supervision of building societies or authorised persons under the FSMA in the UK.

Amalgamation

Section 93 of the Act permits a building society to amalgamate with one or more building societies by establishing a building society as their successor. Amalgamation requires a shareholding members’ resolution passed by the shareholding members of each amalgamating society and a borrowing members’ resolution (each as defined in Schedule 2 to the Act) of the borrowing members of each amalgamating society, as well as confirmation of amalgamation by the Supervisory Authority. The Act provides that on the date specified by the Supervisory Authority all of the property, rights and liabilities (which, in the case of the Society, would include the Notes) of each of the societies shall by virtue of the Act be transferred to and vested in the successor, whether or not otherwise capable of being transferred or assigned.

Transfer of engagements

Section 94 of the Act permits a building society to “transfer its engagements to any extent” to another building society which undertakes to fulfil such engagements. A transfer requires approval by a shareholding members’ resolution and a borrowing members’ resolution of each of the transferor society and the transferee society. However, the resolutions of the transferee society are not required if the Supervisory Authority consents to the transfer proceeding by a resolution of its board of directors only. The Supervisory Authority may also direct the transfer by a resolution of the board of directors of the transferee society only in certain circumstances. The transfer must be confirmed by the Supervisory Authority. The Act provides that on the date specified by the Supervisory Authority and to the extent provided in the instrument of transfer, the property, rights and liabilities of the transferor society shall by virtue of the Act be transferred to and vested in the transferee society, whether or not otherwise capable of being transferred or assigned.

Transfer of business to a commercial company

Sections 97 to 102D of the Act permit a building society to transfer the whole of its business to a company which has been specially formed by the society wholly or partly for the purpose of assuming and conducting the society’s business in its place or is an existing company which is to assume and conduct the society’s business in its place. In addition, the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the “**Mutual Societies Transfers Act**”) permits a building society to transfer the whole of its business to a company that is a subsidiary of a mutual society (as defined in the Mutual Societies Transfers Act) and in such cases sections 97 to 102D of the Act are amended pursuant to orders made under section 3 of the Mutual Societies Transfers Act to reflect that the relevant company is a subsidiary of a mutual society.

The transfer must be approved by a requisite shareholding members’ resolution, in accordance with Schedule 2, paragraph 30(2)-(5) of the Act, passed by shareholding members and by a borrowing members’ resolution passed by borrowing members, unless in certain circumstances the Supervisory Authority directs the transfer to proceed by a resolution of the transferor society’s board of directors only. The society must also obtain the confirmation of the Supervisory Authority to the transfer and its terms. If the Supervisory Authority confirms the transfer, then the Act provides that on the vesting date (as defined in the Act) all of the property, rights and liabilities (which would include the Notes) of the transferor society, whether or not capable of being transferred

or assigned, shall by virtue of the Act and in accordance with the transfer regulations (then in force) be transferred to and vested in the successor.

Where, in connection with any transfer, rights are to be conferred on members of the Society to acquire shares in priority to other subscribers, the right is restricted to shareholding members of the Society who have held their shares throughout the period of two years expiring on a qualifying day specified by the Society in the transfer agreement. Also, all shareholding members' shares are converted into deposits with the successor.

On any such transfer, shareholding members of the Society who were members on the qualifying date but not entitled to vote on the transfer resolution will receive a cash bonus equal to their notional share (if any) of the reserves of the Society. If the transfer is to an existing company, any distribution of funds (apart from the statutory cash bonus referred to above) may only be made to certain shareholding members of the Society who have held their shares for at least two years expiring on a qualifying day specified by the Society in the transfer agreement.

In the case of a transfer to a subsidiary of a mutual society, then pursuant to sections 97 to 102D of the Act as amended pursuant to orders made under section 3 of the Mutual Societies Transfers Act, qualifying members and persons who after the transfer become customers of the relevant successor company are entitled to receive membership in the mutual society (or if relevant a parent undertaking) which must be on no less favourable terms than those enjoyed by existing members of that mutual society (or if relevant that parent undertaking). There is no requirement for qualifying members to have at least two years standing to receive such membership. Qualifying members may also be granted rights in relation to shares in the relevant successor company and/or a distribution of funds and there is no requirement for qualifying members to have at least two years standing to receive such a distribution of funds.

Directed transfers

The Act confers power on the Supervisory Authority, if it considers it expedient to do so in order to protect the investments of shareholders or depositors, to direct a building society to transfer all of its engagements to one or more other building societies or to transfer its business to an existing company. The Financial Services Act 2012 also amended the Act to extend this power of direction to a transfer of a building society's business to an existing or specially formed company that is a subsidiary of another mutual society (as defined in section 3 of the Mutual Societies Transfers Act). Where any such direction is made, the Supervisory Authority may also, if it considers it expedient to do so in order to protect the investments of shareholders or depositors, direct that such transfer may proceed on the basis of a resolution of the board of directors of the building society, without the need for member approval.

General

The Society may, as a result of an amalgamation, transfer of engagements or transfer of business as described above, be replaced as the principal debtor, under all or some of the Notes, by an entity substantially different in nature from the Society at present or with a substantially different capital position. In all cases the confirmation of the Supervisory Authority is required before any such change can take place.

The Mutual Societies Transfers Act

The Mutual Societies Transfers Act received Royal Assent on 23 October 2007 and amongst other things, contains enabling provisions which give wide powers to the UK Treasury to make secondary legislation in relation to the transfer of the whole of the business of a building society, friendly society, industrial and

provident society, mutual insurance company or an equivalent European mutual to a subsidiary of another such society (whether or not the same type).

Under section 90B of the Act (which was inserted by the Mutual Societies Transfers Act), HM Treasury may, by order, make provision for the purpose of ensuring that, on the winding up of a, or dissolution by consent, of a building society any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits; liabilities in respect of preferential debts; or any other category of liability which HM Treasury specifies in the order for these purposes) or to shareholders (other than the liabilities in respect of deferred shares) are applied in satisfying those liabilities *pari passu*. HM Treasury exercised the power which was granted to it under Section 90B and powers conferred on it by section 2(2) of the European Communities Act 1972 by making the Banks and Building Societies (Depositor Preference and Priorities) Order 2014, which entered into force on 1 January 2015. As a result of these changes, provision has been made by HM Treasury for the purpose of ensuring the matters described above.

COVENTRY BUILDING SOCIETY

Introduction

Coventry Building Society is the second largest building society in the UK based on asset size. Total assets of the Group as at 31 December 2023 stood at £62,462.7 million. Except as otherwise stated, all figures in this section are extracted from the audited consolidated annual financial statements of the Society for the year ended 31 December 2023. The Society now operates a network of 64 branches, 15 agencies and has over two million members.

The Society

The Society was originally founded in 1884 and in its present form was created as a result of a merger between Coventry Economic Building Society and Coventry Provident Building Society on 30 June 1983 and, more recently, as a result of a merger between Coventry Building Society and Stroud & Swindon Building Society on 1 September 2010. The Society's principal office is Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ, UK – telephone number +44 24 7655 5255.

The Society operates exclusively in the UK and has a branch network focused on Coventry, Warwickshire and the South West. Mortgage and savings products are offered via branches, the internet, by telephone and through the post to customers both inside and outside the branch operating area. Mortgage products are distributed primarily through intermediary channels.

The Society is incorporated under the Act and operates in accordance with the Act, regulations made thereunder and its Rules and Memorandum. The Society is an incorporated building society for the purposes of the Act and is authorised and regulated by the FCA and PRA under firm reference number 150892. The affairs of the Society are conducted and managed by a Board who are elected and serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises executives who are responsible to the Board for the day-to-day management of the Society.

The Society is a mutual organisation with both retail investors and borrowers having membership. Eligibility to vote at General Meetings is governed by the Act and by the Society's Rules.

For the avoidance of doubt all figures quoted are the consolidated numbers for the Coventry Group (i.e. the Society, and its subsidiaries).

Following the Society's announcement on 21 December 2023 that it had entered into an exclusivity agreement in relation to a possible offer for the Co-operative Bank Holdings Limited and its announcement on 18 April 2024 that non-binding heads of terms have been agreed for this acquisition, the Society made the Acquisition Announcement (which is incorporated by reference in this Prospectus) on 24 May 2024.

Business

General

The principal purpose of the Society, as stated in Clause 3 of its Memorandum, is making loans which are secured on residential property and are funded substantially by its members. The Society seeks to provide a safe and attractive home for members' savings.

The Society obtains funds from the retail market through personal savings and deposit accounts and also raises funds in the wholesale markets. It advances the funds raised mainly to borrowers on the security of first charge mortgages secured on freehold (and its equivalent in Scotland) and leasehold property.

The Society concentrates on its core business of personal savings and residential mortgage lending. As at 31 December 2023, 99 per cent. of loans were fully secured on residential property.

Strategy

The Society has adopted a people and purpose-led strategy which seeks to respond to the needs of all of its stakeholders. The Society expresses its purpose as “making people better off through life” and believes that remaining an independent, customer owned mutual organisation delivers the best outcomes for its savings and borrowing members and for wider society. The Society’s strategy seeks to deliver a sustainable and resilient financial performance, consistent with continuing to support UK economic growth and employment, whilst ensuring good outcomes for its customers.

The Society’s strategy includes the following key elements:

- **Lower cost business model:** the Society seeks to maintain low underlying costs driven by its simple business model, efficient distribution channels and high average account balances, with growth driving economies of scale;
- **Geographical coverage and efficient distribution channels:** the Society maintains a well-diversified mortgage portfolio reflecting the national coverage of its distribution channels through third-party mortgage brokers, intermediaries and online platforms;
- **Low risk approach to lending to support long-term financial resilience:** the Society’s lending strategy is focused on high-quality, low-risk owner occupied and buy-to-let residential mortgages assessed against its lending criteria, which is reflected in the low loan-to-value of the Society’s mortgage book and low levels of arrears and possessions;
- **Diversified funding in the wholesale markets:** the Society seeks to ensure that it has a strong and diversified funding base with access to a range of wholesale markets. Lending is primarily funded through retail deposits and uses wholesale funding to provide diversification of funding by source and term, supporting growth and lowering risk by reducing the overall cost of funding; and
- **Environment, social and governance:** the Society seeks to reduce the environmental impact of its business activities on the environment and manage risks to its business.

The Society’s sustainability strategy is embedded within the Society’s people and purpose-led strategic plan. The Society’s Climate Action Plan, adopted in 2021, sets out in detail how the Society will respond to the climate challenge. The Society is already a carbon neutral business for its own operations and its ambition is to achieve net zero for greenhouse gas emissions across Scope 1, 2 and 3 by 2040. Since 2021, the Society has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, environment and anti-corruption. The Society is also a signatory of the UN Principles for Responsible Banking and has identified the following UN Sustainable Development Goals as its areas of focus: (i) quality education; (ii) decent work and economic growth; (iii) sustainable cities and communities and climate action.

Mortgage lending activities

During 2023 the Society made mortgage and other loan advances of £7.9 billion gross, with a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £2.3 billion. The corresponding figures for 2022 were advances of £8.7 billion and a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £1.4 billion. In the six month period ended 30 June 2024, the Society made mortgage and other loan advances of £3.5 billion, with a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £1.1 billion.

Personal savings activities

The Society's main source of funding continues to be the retail savings market. Members with savings in the Society are described in the Society's Rules as holding shares in the Society. Shares held principally by individuals amounted to £47,582.3 million as at 31 December 2023, representing 76.0 per cent. of total shares and borrowings. As at 30 June 2024, shares held principally by individuals amounted to £48,823.7 million, representing 82 per cent. of total shares and borrowings.

The Society prioritises paying interest rates to its savings members above the average market savings rate. The Society estimates that for the year ended 31 December 2023, its savings rates were 0.81 per cent. above the market average, compared to 0.62 per cent. above market average for the year ended 31 December 2022. In doing so, it passed on "member value" of £342 million for the year ended 31 December 2023, compared to £230 million in the year ended 31 December 2022. The Society refers to "member value" as the additional interest rate it pays to its savings members as a result of the Society's interest rates being superior to the market average, calculated by comparing the Society's average month end savings rate to the CACI savings database for market average rate for savings accounts, excluding current accounts and offset savings.

Cost control

As a result of its focus on containing costs, the Society's ratio of management expenses to mean total assets as at 31 December 2023 was 0.51 per cent. The corresponding figure for 2022 was 0.52 per cent.

The ratio of management expenses to mean total assets is a measurement of the efficiency of the business.

The ratio of management expenses to mean total assets is derived as follows:

	(£m)	(£m)
Total assets 2023	62,462.7	
Total assets 2022	58,867.1	
Mean total assets		<u>60,665.0</u>
Administrative expenses	285.8	
Amortisation of intangible assets	12.9	
Depreciation of property, plant and equipment	13.2	
Management expenses		311.9

Financial position and liability management

MREL position

As at 31 December 2023, the Society met an MREL requirement of twice the binding capital requirement (i.e. two times Pillar 1 plus Pillar 2A), which as at that date equated to 21.3 per cent. of RWAs. The Society is further required to meet capital buffers from CET 1 capital, generating a total loss-absorbing requirement of 25.8 per cent. of risk weighted assets.

The Society currently expects that leverage will become the binding capital measure applicable to the Society in due course (though it is not the binding capital measure as at the date of this Prospectus). If the Acquisition completes, the Combined Group will have retail deposits in excess of £50 billion and leverage will therefore be the binding capital measure. If leverage is the binding capital measure, this will significantly increase the Society's MREL requirements to twice the binding leverage exposure measure, and the Society will need to issue more MREL eligible debt. Based on the Society's balance sheet as at 31 December 2023, the Society would have needed around £0.2 billion in additional MREL funding were leverage to have been the binding capital requirement as at that date.

	End-point 31 December 2023 (%)	End-point 31 December 2022 (%)
MREL (as a percentage of risk weighted assets)	43.4	35.8
MREL requirement (as a percentage of risk weighted assets)	21.4	18

In March 2024, the Society issued £500 million of senior non-preferred debt, further increasing its MREL eligible debt.

Capital base

The Society is well capitalised and had a CET1 capital ratio of 29.1 per cent. at the end of 2023, and of 28.9 per cent. as at 30 June 2024. As at 31 December 2023, the Society held CET 1 capital in excess of its combined buffer requirement equal to £1,585.7 million, or 18.7 per cent. of RWAs.

The table below sets out the consolidated capital ratios of the Society (on an individual consolidated basis), based on the Society's current understanding of the applicable regulatory capital requirements. The Society's leverage ratio is comfortably above the 3.25 per cent. minimum level (3.95 per cent. including buffer requirements) that would apply should the Society become subject to binding leverage ratio requirements.

	End-point 31 December 2023 (%)	End-point 31 December 2022 (%)
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CET 1 (as a percentage of RWAs) ¹	29.1	27.4
Leverage ratio	4.6	4.5
Modified leverage Ratio	5.4	5.2

¹ The CET1 capital ratio is the sum of general reserves less various prescribed deductions, divided by RWAs.

Subscribed capital and other equity instruments

As at 31 December 2023, the Society had further subscribed Tier 1 capital in the form of £40 million Permanent Interest-Bearing Shares (“PIBS”), and £415 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities (“PCS”) issued in 2019. On 11 June 2024, the Society issued £665 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities (“2024 PCS”) and tendered for the outstanding PCS, receiving tenders in respect of £388.1 million in aggregate principal amount of the PCS. On 23 June 2024, the Society gave notice to redeem the outstanding PCS on their First Call Date (as defined below):

	First call or reset date (as applicable)	Principal amount outstanding	
		As at 30 June 2024 £m	As at 31 December 2023 £m
£40 million Permanent Interest-Bearing Shares	n/a	41.6	41.6
£415 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities	18 September 2024	26.9	415.0
£665 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities	11 December 2029	665.0	-

PIBS

Interest is payable in arrear on the PIBS at the rate of 12.125 per cent. per annum in half-yearly instalments, subject to the conditions of issue of the PIBS. The PIBS are repayable only in the event of a winding-up of the Society or otherwise with the prior consent of the PRA.

In a winding-up or dissolution of the Society, the claims in respect of PIBS would rank *pari passu* with claims in respect of PCS issued by the Society and behind all other creditors of the Society, including creditors in respect of subordinated liabilities, and the claims of members holding shares (other than deferred shares) as to principal and interest on those shares. The holders of the PIBS are not entitled to any share in any final surplus upon a winding-up or final dissolution of the Society.

The PIBS do not meet CRD IV recognition criteria and, accordingly, are not included in the Society’s capital calculations.

PCS

Interest is payable, subject to the conditions of issue of the PCS, semi-annually in arrear on the PCS, at a rate of 6.875 per cent. per annum up to, and including, the first call date on 18 September 2024 (the “**First Call Date**”). If the PCS in issue remain outstanding following the First Call Date, they will bear interest at a rate which is reset on the First Call Date and each fifth anniversary of the First Call Date, as the sum of the prevailing rate on a benchmark Gilt at that time and a margin of 6.111 per cent.

In a winding-up or dissolution of the Society, the claims in respect of the PCS would rank *pari passu* with claims in respect of the PIBS and behind all other creditors of the Society, including creditors in respect of subordinated liabilities and the claims of members holding shares (other than deferred shares) as to principal and interest on those shares. The holders of the PCS are not entitled to any share in any final surplus upon a winding-up or final dissolution of the Society.

On 11 June 2024 the Society announced that, following an invitation to eligible holders of the PCS to tender their PCS for purchase, it accepted for purchase £388.1 million in aggregate principal amount of the PCS and PCS purchased by the Society were cancelled. On the First Call Date, the Society redeemed the remaining PCS in full.

2024 PCS

Interest is payable, subject to the conditions of issue of the 2024 PCS, semi-annually in arrear on the 2024 PCS, at a rate of 8.750 per cent. per annum up to, and including, the first reset date on 11 December 2029 (the “**First Reset Date**”). If the 2024 PCS in issue remain outstanding following the First Reset Date, they will bear interest at a rate which is reset on the First Reset Date and each fifth anniversary of the First Reset Date as the sum of the quoted rate on a benchmark Gilt in relation to that period and a margin of 4.727 per cent. per annum.

In a winding-up or dissolution of the Society which commences prior to any write-down and issue of core capital deferred shares (“**Conversion**”), the claims in respect of the 2024 PCS would rank *pari passu* with claims in respect of the PIBS and the PCS and behind all other creditors of the Society, including creditors in respect of subordinated liabilities and the claims of members holding shares (other than deferred shares) as to principal and interest on those shares. The holders of the 2024 PCS are not entitled to any share in any final surplus upon a winding-up or final dissolution of the Society prior to Conversion.

Subordinated Liabilities

	As at 31 December	
	2023	2022
	£m	£m
Fixed rate subordinated notes 2032 – 7.54%	15.4	15.4
Total	15.4	15.4

All of the subordinated notes are denominated in Sterling. The subordinated notes are repayable in the years stated, or earlier in accordance with their terms at the option of the Society, with the prior consent of the PRA. The rights of repayment of the holders of the notes are subordinated to the claims of all depositors, creditors and members holding shares as to principal and interest.

Non-share (“wholesale”) funding

As at 31 December 2023, the Society obtained 18.7 per cent. of its funding from sources other than shares held by individuals, compared to 23.9 per cent. as at 31 December 2022. The equivalent figure as at 30 June 2024 was 17.0 per cent.

Wholesale funding

	As at 31 December	
	2023 £m	2022 £m
Deposits from banks	5,230.7	7,542.9
Debt securities in issue	5,377.5	5,243.2
Other deposits	0	5.0
Amounts owed to other customers	237.3	416.1
Total wholesale funding	10,845.5	13,207.2

Liquidity

The Society is required by the PRA to maintain a sufficient level of liquidity that reflects the range and composition of its business. In practice the Society seeks to operate with a buffer over and above this.

The classes of instruments that may be held by the Society for liquidity purposes are prescribed by the PRA. As at the 31 December 2023, the Society held Treasury assets (comprising cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities) of £10.9 billion (£10.0 billion as at 31 December 2022) and reported a Liquidity Coverage Ratio (LCR) of 227 per cent. (195 per cent. as at 31 December 2022). The equivalent figures as at 30 June 2024 were £10.6 billion and 272 per cent., respectively.

General reserve

As at 31 December 2023, the Group’s general reserve amounted to £2,573.2 million. The equivalent figure as at 30 June 2024 was £2,662.4 million.

Business Developments

The Society is committed to retaining its building society status, which it believes provides better outcomes for its members. Initiatives for savers and borrowers include the following:

Borrowers

- Competitive traditional residential sector mortgage products as well as a wide range of other competitive products including offset mortgages and buy-to-let mortgages.
- Existing borrowers have access to mortgage products at the same rates as new business.

Savers

- Competitive savings product set which offers traditional fixed rate bonds, instant access accounts, ISAs and children's accounts, which are available through branch, telephone and internet channels.
- With no dividends to pay to outside shareholders and high levels of cost efficiency, the Society is able to offer competitive interest rates to both savers and borrowers, not only to attract new customers but also to ensure that existing customers are retained as well.
- The Society's aim is to maintain a high level of service to all customers, both existing and new, which allows them to take advantage of the Society's wide range of savings and mortgage products.

Final Results for the year ended 31 December 2023

On 29 February 2024, the Society issued its final results for the year ended 31 December 2023. Selected financial highlights are as follows:

- Profit before tax of £473.5 million, compared to £370.5 million for the year ended 31 December 2022.
- Loans and advances to customers increased to £50,276.1 million.
- New mortgage lending of £7.9 billion.
- Shares balances increased by £5.3 billion to £47,582.3 million.
- Rated A-/F1 by Fitch and A2/P1 by Moody's.
- CET1 ratio of 29.1 per cent.
- Cost to mean assets ratio of only 0.51 per cent.
- Cost to income ratio of 39.4 per cent., compared to 43.0 per cent. for the year ended 31 December 2022;
- 0.26 per cent. of mortgage balances were three months or more in arrears.
- Impairment charge for Expected Credit Losses on loans and advances to customers of £6.9 million.

Results for the six-month period ended 30 June 2024

On 30 July 2024 the Society issued its interim results for the six-month period ended 30 June 2024. Selected financial highlights are as follows:

- Profit before tax of £158.8 million, compared to £268.6 million for the six-month period ended 30 June 2023.
- Loans and advances to customers of £51,397.4 million and Shares balances of £48,823.7 million.
- CET1 ratio of 28.9 per cent.
- Cost to mean assets ratio of 0.55 per cent.
- Cost to income ratio of 54.0 per cent., compared to 34.0 per cent. for the six-month period ended 30 June 2023.
- Release of Impairment charge on loans and advances to customers of £13.8 million.

Management

The Board is responsible for the Society’s strategy and direction. The execution of that strategy and day-to-day management is vested with the Executive Directors. The members of the Board, their roles in relation to the Society and their principal outside activities (if any) of significance to the Society are as follows:

Board of Directors

Name	Position within the Society	Other directorships and positions
D Thorburn	Chair of the Board	<ul style="list-style-type: none"> • EY UK LLP • Chartered Banker Institute 2025 Foundation
M Stewart	Independent Non-Executive Director	<ul style="list-style-type: none"> • OakNorth Bank plc • Northern Bank Ltd • Clayton Stewart Ltd • Clayton Stewart Properties Ltd • Paragon Bank PLC
I Amiri	Independent Non-Executive Director	<ul style="list-style-type: none"> • Development Bank of Wales plc • AON UK Limited • Eurocell plc
E Kerin	Independent Non-Executive Director	<ul style="list-style-type: none"> • Daiwa Capital Markets Europe Limited • Smart Works Trading Limited • Smart Works Charity
S Mohammed	Independent Non-Executive Director	<ul style="list-style-type: none"> • Pezula Limited • Athora Italia S.p.A.
B O’Connor	Independent Non-Executive Director	<ul style="list-style-type: none"> • FCE Bank Plc
I Plunkett	Independent Non-Executive Director	<ul style="list-style-type: none"> • CitiGroup Global Markets Limited
L Raybould	Chief Financial Officer and Executive Director	<ul style="list-style-type: none"> • ITL Mortgages Limited • Godiva Mortgages Limited • Arkose Funding Limited • Coventry Property Services Limited • Coventry Financial Services Limited • Godiva Financial Services Limited

S Hughes	Chief Executive Officer and Executive Director	<ul style="list-style-type: none"> • Godiva Housing Developments Limited • Godiva Securities and Investments Limited • Godiva Savings Limited • Godiva Mortgages Limited • ITL Mortgages Limited • Member of the BSA Council • The Pennies Foundation • The Money and Pension Service
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The business address of the Directors and Executive Directors is Coventry House, Binley Business Park, Harry Weston Road, Coventry CV3 2TQ.

The Executive Directors have entered into service contracts which enable the Society to give not less than six months' notice of termination.

There are no existing or potential conflicts of interest between any duties owed to the Society by its Directors or members of its Executive and the private interests and/or other external duties owed by these individuals.

Subsidiaries

The following direct, wholly owned subsidiaries of the Society are carrying on a business:

- Godiva Mortgages Limited
- ITL Mortgages Limited

In addition, the Society has the following direct, wholly owned subsidiary companies, none of which are carrying on a business:

- Coventry Financial Services Limited
- Coventry Property Services Limited
- Godiva Financial Services Limited
- Godiva Housing Developments Limited
- Godiva Savings Limited
- Godiva Securities and Investments Limited

The subsidiaries detailed in this sub-section are, together, the “**Subsidiaries**”. The Society also has an interest in Coventry Godiva Covered Bonds LLP, which gives rise to risks and rewards that are in substance no different than if it was a subsidiary undertaking, and which is therefore consolidated under the IFRS in the Coventry Group accounts.

The following entities are consolidated under the IFRS as if they were wholly owned subsidiaries of the Society:

- Coventry Building Society Covered Bonds LLP
- Coventry Godiva Covered Bonds LLP
- Economic Master Issuer plc

See note 15 (Loans and advances to customers) and note 16 (Investments in group undertakings) of the Society's audited consolidated financial statements for the financial year ended 31 December 2023 for further information.

Independent Auditors

PricewaterhouseCoopers LLP of One Chamberlain Square, Birmingham, B3 3AX have audited without qualification the financial statements of the Society as at and for each of the years ended 31 December 2023 and 31 December 2022. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

TAXATION

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current UK law (save to the extent that draft law has been expressly referred to) and His Majesty's Revenue and Customs ("HMRC") current practice, which may not be binding on HMRC and which may be subject to change, sometimes with retrospective effect. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Noteholders and Couponholders should be aware that the particular terms of issue of any Tranche of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other Tranches of that or another Series of Notes. The comments assume that there will be no substitution of the Issuer and do not consider the tax consequences of any such substitution. The comments below deal primarily with certain UK withholding tax issues which arise on payments of interest in respect of the Notes. They are not exhaustive and they do not address any other UK taxation implications of acquiring, holding or disposing of Notes and Coupons. Any Noteholders and Couponholders who are in doubt as to their personal tax position should consult their professional advisers. In particular, Noteholders and Couponholders should be aware that they may be liable to taxation in respect of any income received from the Notes or Coupons under the laws of other jurisdictions (in particular, any jurisdiction where a Noteholder or Couponholder is resident or otherwise subject to taxation) in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK. 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.

Interest

In relation to Notes which carry a right to interest that are and continue to be listed on a recognised stock exchange within the meaning of section 1005 Income Tax Act 2007 (the "ITA"), payments of interest by the Issuer may be made without withholding or deduction for or on account of UK income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are and continue to be included in the Official List by the FCA and are admitted to trading on the Market (excluding the High Growth Segment).

In all other cases, payments which constitute interest or are regarded as constituting "dividends" within the meaning of section 889 of the ITA will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to the availability of other exemptions or reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

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 or part thereof may constitute a payment of interest. Payments of interest are subject to UK withholding tax as outlined in this UK Taxation section.

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not generally constitute interest for UK withholding tax purposes and therefore should not be subject to any UK withholding tax (as applicable to interest).

Where interest has been paid under deduction of UK income tax, Noteholders and Couponholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

The references to “interest” in this section headed UK Taxation above mean “**interest**” as understood in UK tax law. The statements in this UK Taxation section 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. Noteholders and Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute “interest” or “principal” as those terms are understood in UK tax law.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING

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 pass thru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UK) 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. Noteholders and Couponholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

Transactions involving the Notes may have tax consequences for purchasers which may depend, amongst other things, upon the status of the purchaser and laws relating to transfer and registration taxes. Purchasers who are in any doubt about the tax position of any aspect of transactions involving the Notes should consult their own tax advisers.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 18 October 2024 (as further amended and/or supplemented from time to time, the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes 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 Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside 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 Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States 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 is prohibited.

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

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme shall be required to agree, that except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UK

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies “*Prohibition of Sales to UK Retail Investors*” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression ‘**retail investor**’ means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other UK regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme shall be required to agree, that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

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 “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme shall 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 (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause

the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.,

In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression ‘**retail investor**’ means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme shall be required to agree, that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms, in all cases at its own expense.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 [(the “**Insurance Distribution Directive**”)], where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of 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.]¹

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97]/[the Insurance Distribution Directive], 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 [(“**UK MiFIR**”)]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]²

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

UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer[‘s/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 by virtue of the [European Union (Withdrawal) Act 2018]/[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*].

¹Include where “Prohibition of Sales to EEA Retail Investors” under item 27, Part A of the Final Terms specifies “Applicable”.

²Include where “Prohibition of Sales to UK Retail Investors” under item 28, Part A of the Final Terms specifies “Applicable”.

Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)]/[distributor] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook 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 SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)³

FINAL TERMS DATED [•] 20[•]

COVENTRY BUILDING SOCIETY

Legal Entity Identifier (LEI): 2138004G59FXEAZ61O10

Issue of

[Aggregate Nominal Amount of Tranche] [Title of Notes]

under the

£5,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 18 October 2024 [and the supplemental Prospectus[es] dated []] which [together] constitute[s] a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (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 such Prospectus [as so supplemented] in order to obtain all the relevant information. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.)

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [] [and the supplemental Prospectus[es] dated []] and which are incorporated by reference in the Prospectus dated 18 October 2024. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”) and must be read in conjunction with the Prospectus

³For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

dated 18 October 2024 [and the supplemental Prospectus[es] dated []], which [together] constitute[s] a prospectus for the purposes of the UK Prospectus Regulation, in order to obtain all the relevant information. The Prospectuses [and the supplemental Prospectuses] are available for viewing [at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>] [and] during normal business hours at [address] [and copies may be obtained from [address].]

1 Issuer: Coventry Building Society

TYPE OF NOTES

2 Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]

DESCRIPTION OF THE NOTES

3 (i) Series Number: []
(ii) Tranche Number: []
(iii) [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 [*insert description of the Series*] 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 []]].]

4 Specified Currency or Currencies: []

5 Aggregate Nominal Amount of Notes:

[(i)] Series: []

[(ii)] Tranche: []

6 Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]

7 (i) Specified Denominations: [] [and integral multiples of [] in excess thereof up to and including []]

(ii) Calculation Amount: []

8 (i) Issue Date: []

(ii) Interest Commencement Date: [[]/Issue Date/Not Applicable]

9 Maturity Date: []

10 Interest Basis: [[] per cent. Fixed Rate]
[Resettable Notes]
[[SONIA/EURIBOR] +/- [] per cent. Floating Rate]

- [Zero Coupon]
- 11 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their Aggregate Nominal Amount
- 12 Put/Call Options: [Investor Put]
[Issuer Call]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with []/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
- (vi) Determination Dates: [] in each year
- 14 **Resettable Note Provisions:** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [] per cent. per annum payable in arrear on each Resettable Note Interest Payment Date
- (ii) Resettable Note Interest Payment Date(s): [] in each year [adjusted in accordance with []/not adjusted]
- (iii) First Margin: [+/-] [] per cent. per annum
- (iv) Subsequent Margin: [+/-] [] per cent. per annum
- (v) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
- (vi) First Reset Date: []
- (vii) Second Reset Date: []
- (viii) Subsequent Reset Date[s]: [] []
- (ix) Reset Determination Date[s]: [] []

	(x) Reset Rate:	[Mid-Swap Rate] [Benchmark Gilt Rate]
	(xi) Relevant Screen Page:	[] []
	(xii) Mid-Swap Rate:	[Single Mid-Swap Rate] [Mean Mid-Swap Rate] [Not Applicable]
	(xiii) Mid-Swap Maturity:	[] [] [Not Applicable]
	(xiv) Mid-Swap Floating Leg Benchmark Rate:	[[6]-month EURIBOR (calculated on an Actual/360 day count basis)] / [Overnight SONIA rate compounded for the Floating Leg Swap Duration (calculated on an Actual/365 day count basis)] / [Overnight SOFR rate compounded for the Mid-Swap Maturity (calculated on an Actual/360 day count basis)] / [] / [Not Applicable]
	(xv) Mid-Swap Fallback Rate:	[[] per cent.]/[Not Applicable]
	(xvi) Benchmark Gilt Fallback Rate:	[[] per cent.]/[Not Applicable]
15	Floating Rate Note Provisions:	[Applicable/Not Applicable]
	(i) Interest Period(s):	[]
	(ii) Specified Interest Payment Dates:	[]
	(iii) First Interest Payment Date	[]
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(v) Interest Period Date:	[]
	(vi) Business Centre(s):	[]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	Screen Date Determination
	(viii) Calculation Agent responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[]
	(ix) Screen Rate Determination:	[Applicable/Not Applicable]
	• Reference Rate:	[SONIA/EURIBOR]
	• Term Rate:	[Applicable / Not Applicable]
	• Overnight Rate:	[Applicable / Not Applicable]

- Index Determination [Applicable/Not Applicable]
 - Relevant Number [[5/[]] London Banking Days]/[Not Applicable]

(If 'Index Determination' is 'Not Applicable', delete 'Relevant Number' and complete the remaining bullets below)

(If 'Index Determination' is 'Applicable', insert number of days (expected to be five or greater) as the Relevant Number, and the remaining bullets below will each be 'Not Applicable')
 - Observation Method: [Lag/Observation Shift/Not Applicable]
 - SONIA Lag Period (p): [[]/[five] London Banking Days]/[Not Applicable]

(The number of London Banking Days for the purposes of the definition of "Observation Period" should be no less than five London Banking Days)
 - SONIA Observation Shift Period (p): [[]/[five] London Banking Days]/[Not Applicable]

(The number of London Banking Days for the purposes of the definition of "Observation Period" should be no less than five London Banking Days)
 - Interest Determination Date(s): [Second London business day prior to the first day of each Interest Accrual Period]

[First day of each Interest Accrual Period]

[Second TARGET business day prior to the first day of each Interest Accrual Period]

[[Second/[]] London Banking Day falling after the last day of the relevant Observation Period]
 - Relevant Screen Page: []
 - (x) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the Interest Period ending on the Interest Payment Date falling in [] shall be calculated using Linear Interpolation]
 - (xi) Margin(s): [+/-] [] per cent. per annum
 - (xii) Minimum Rate of Interest: [] per cent. per annum
 - (xiii) Maximum Rate of Interest: [] per cent. per annum
 - (xiv) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
- 16 **Zero Coupon Note Provisions:** [Applicable/Not Applicable]

- Amortisation Yield: [] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

17	Call Option	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s)	[] [and []] / [Any [day/Business Day] falling in the period from (and including) [] up to [(and including / but excluding)] []
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[As per Condition 6(b)/[] per Calculation Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[] per Calculation Amount
	(b) Maximum Redemption Amount:	[] per Calculation Amount
	(iv) Notice Period:	[]
18	(i) Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption:	[Applicable/Not Applicable]
	(ii) Loss Absorption Disqualification Event:	[Full Exclusion/Full or Partial Exclusion/Not Applicable]
	(iii) Loss Absorption Disqualification Event Redemption Price:	[[] per cent.]/[[] per Calculation Amount]
	(iv) Senior Non-Preferred Notes: Substitution and Variation:	[Applicable/Not Applicable]
19	Subordinated Notes: Redemption upon Capital Disqualification Event:	[Applicable/Not Applicable]
	(i) Capital Disqualification Event:	[Full Exclusion/Full or Partial Exclusion/Not Applicable]
	(ii) Capital Disqualification Event Early Redemption Price:	[[] per cent.]/[[] per Calculation Amount]
20	Put Option:	[Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [] [and []] / [Any [day/Business Day] falling in the period from (and including) [] up to [(and including / but excluding)] []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [As per Condition 6(b)/[] per Calculation Amount]
- (iii) Notice Period: []
- 21 Final Redemption Amount of each Note: [] per Calculation Amount
- 22 Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [As per Condition 6(b)/[] per Calculation Amount]

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 specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- Registered Notes:
- [Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
- 24 New Global Note / New Safekeeping Structure: [New Global Note]/[New Safekeeping Structure]/[Not Applicable]
- 25 Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[]]

THIRD PARTY INFORMATION

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

Signed on behalf of **Coventry Building Society**:

By:
Duly authorised

PART B – OTHER INFORMATION

1 Listing

- (i) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List and to trading on the main market of the London Stock Exchange with effect from []/[the Issue Date]
- (ii) Estimate of total expenses [] related to admission to trading:

2 Ratings

Ratings: [The Notes to be issued [have been]/[are expected to be] rated:

[]

[and endorsed by []]

[The Notes to be issued have not been specifically rated]

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

The rating agenc[y/ies] above [has/have] published the following high-level description[s] of such rating[s]:

- A rating of [] by [Moody’s Investors Service Limited] is described by it as indicating [].
- A rating of [] by [Fitch Ratings Ltd] is described by it as indicating [].
- A rating of [] by [S&P Global Ratings UK Limited] is described by it as indicating [].]

[[[Moody’s Investors Service Limited]/[Fitch Ratings Ltd]/[S&P Global Ratings UK Limited]/[] is established in the United Kingdom and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (as amended, the “**UK CRA Regulation**”), and is included in the list of credit rating agencies published by the Financial Conduct Authority in accordance with the UK CRA Regulation]/[[] is not established in the United Kingdom and is not certified under Regulation (EU) No 1060/2009, as it forms part of UK domestic law by virtue of the EUWA (as amended, the “**UK CRA Regulation**”); however, the rating it has given to the Notes is endorsed by [], which is established in the United Kingdom and registered under the UK CRA Regulation]

3 **Interests of Natural and Legal Persons involved in the [Issue/Offer]**

[“Save as discussed in “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

4 **Reasons for the offer and estimated net proceeds**

(i) Reasons for the offer: []

[See “Use of Proceeds” in Base Prospectus]

(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from what is disclosed in the Base Prospectus, give details here.)

(ii) Estimated net proceeds: []

5 **[Fixed Rate Notes only – Yield**

Indication of yield; []

The yield is calculated at the Issue Date on the basis of the Issue price. It is not an indication of future yield.]

6 **Operational Information**

(i) ISIN: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

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

(v) Names and addresses of initial Paying Agent(s): []

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

(vii) Names and addresses of Dealer[s]: []

(viii) 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] [include this text for Registered Notes which are to be held under the NSS] 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] [*include this text for Registered Notes*]. 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.]

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| (ix) U.S. Selling Restrictions | Reg. S Compliance Category 2; C Rules/D Rules/TEFRA not applicable. |
| (x) Prohibition of Sales to EEA Retail Investors | [Applicable/Not Applicable] |
| (xi) Prohibition of Sales to UK Retail Investors | [Applicable/Not Applicable] |

GENERAL INFORMATION

(1) Listing

The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about 22 October 2024. Prior to official listing and admission to trading, however, dealings 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.

(2) Corporate Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the establishment and update of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors passed on 11 April 2001 and the update of the Programme was authorised by a resolution of the Board of Directors passed on 24 April 2024.

(3) Material Adverse Change

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2023.

(4) Significant Change

There has been no significant change in the financial position or financial performance of the Issuer or the Group since 30 June 2024.

(5) Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

(6) Bearer Notes – United States Tax Legend

Each Bearer Note having a maturity of more than one year, Coupon and Talon and each Exchangeable Registered Note having a maturity of more than one year, will bear the following legend: *“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”*.

(7) Clearing Systems

Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN), and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The Classification of Financial Instruments (CFI) and the Financial Instrument Short Name (FISN) codes may be obtained from the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. The address of Euroclear is 1 Boulevard du Roi Albert, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855, Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(8) Pricing of Notes and post-issuance information

The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.

(9) Documents Available

For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available on the website of the Issuer being, as at the date of this Prospectus <https://www.coventrybuildingsociety.co.uk>:

- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
- (ii) the Rules and Memorandum of the Issuer;
- (iii) the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2023 and 31 December 2022, respectively (together in each case with the notes thereto and the audit report thereon) and the unaudited consolidated interim financial statements of the Issuer for the six month period ended 30 June 2024 (together with the review report thereon);
- (iv) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the United Kingdom nor offered in the United Kingdom in circumstances where a prospectus is required to be published under the UK Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);
- (v) a copy of this Prospectus together with any supplement to this Prospectus; and
- (vi) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus (if any).

This Prospectus can also be viewed 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>.

Copies of the latest audited consolidated annual financial statements of the Issuer and the latest interim consolidated financial statements of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours and upon reasonable notice, so long as any of the Notes is outstanding.

(10) Issuer's Website

The Issuer's website is: <https://www.coventrybuildingsociety.co.uk>. Unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

(11) Auditors

PricewaterhouseCoopers LLP (“PwC”), Registered Auditors (authorised and regulated by the FCA for designated investment business), have audited, and rendered unqualified audit reports on, the consolidated annual financial statements of the Issuer for the years ended 31 December 2023 and 31 December 2022. PwC has no material interest in the Issuer or the Group.

(12) Dealers transacting with the Issuer

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 Issuer and its 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 Issuer and its 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 contracts) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such 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.

REGISTERED OFFICE OF THE ISSUER

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NatWest Markets Plc

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**ISSUING AND PAYING AGENT, REGISTRAR,
TRANSFER AGENT AND CALCULATION AGENT**

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