



Yorkshire Building Society

(Incorporated in England under the Building Societies Act 1986)

£5,000,000,000

Note Programme

for the issue of Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes with a minimum maturity of one month

On 28 July 1993 Yorkshire Building Society (the "Issuer" or the "Society") entered into a £500,000,000 Note Programme (the "Programme") and issued a prospectus on that date describing the Programme. On 25 May 2005, the aggregate nominal amount of Euro Medium Term Notes which may be issued under the Programme was increased to £5,000,000,000. This Prospectus supersedes all previous prospectuses. Any Notes (as defined below) to be issued under the Programme, on or after the date of this Prospectus, are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Pursuant to the Programme, the Issuer (which expression and the expression "Society" shall include any successor or substitute (see Condition 14)) may from time to time issue in one or more Tranches (as defined herein) Notes (the "Notes", which expression shall include Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes (each as defined in the Trust Deed (as defined herein))). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein. The Senior Preferred Notes and any relative Coupons will constitute "ordinary non-preferential debt" for the purposes of The Banks and Building Societies (Priorities on Insolvency) Order 2018 (as the same may be amended, supplemented or replaced from time to time, the "Order") and any law or regulation applicable to the Issuer which is amended by the Order (together, the "Ranking Legislation"). The Senior Non-Preferred Notes and any relative Coupons will constitute "secondary non-preferential debt" for the purposes of the Ranking Legislation. The Subordinated Notes and any relative Coupons will constitute "tertiary non-preferential debt" for the purposes of the Ranking Legislation.

The Notes may be issued from time to time to one or more of the Dealers specified under "Description of the Programme" (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme from time to time).

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

Application has been made to the Financial Conduct Authority (the "FCA") under Part VI of the Financial Services and Markets Act 2000 (the "FSMA") for Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes issued under the Programme up to the expiry 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.

References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Main Market and have been admitted to the Official List. The London Stock Exchange's Main Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA") ("UK MiFIR").

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of 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. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

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

The Notes of each Tranche will initially be represented by a Temporary Global Note which will be exchangeable for a Permanent Global Note or Notes in definitive form (as indicated in the applicable Final Terms) in each case, upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury Regulations. As further described in "Form of the Notes" below, the applicable Final Terms will specify that a Permanent Global Note is exchangeable (in whole but not in part) for definitive Notes upon the occurrence of an Exchange Event (as defined on page 42).

As at the date of this Prospectus, the Issuer has (i) a senior preferred debt rating of A3 by Moody's Investors Service Limited ("Moody's") and A by Fitch Ratings Limited ("Fitch"), (ii) a senior non-preferred debt rating of Baa2 by Moody's and A- by Fitch and (iii) a subordinated debt rating of Baa2 by Moody's and BBB by Fitch. Each of Moody's and Fitch is established in the United Kingdom (the "UK") and is registered under the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "UK CRA Regulation"). Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. 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.

This Prospectus will be valid as a base prospectus under the UK Prospectus Regulation for 12 months from 31 March 2023. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Arranger
HSBC
Dealers

Barclays
HSBC
NatWest Markets

BNP PARIBAS
J.P. Morgan
UBS Investment Bank

IMPORTANT NOTICES

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

The Issuer accepts responsibility for the information contained in this 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 the Prospectus makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with any supplements hereto, all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” on page 40) and any Final Terms. This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Neither the Dealers nor the Trustee (as defined below) have separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus, or any other financial statements or any further information provided by the Issuer in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other financial statements or further information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other financial statements or further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

None of this Prospectus or any other financial statements or any further information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other financial statements or any further information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other financial statements or further information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any financial statements or any further information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer and its subsidiaries during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

Neither the Arranger nor any of the Dealers makes any representation as to the suitability of any Notes issued as Social Bonds (as indicated in the applicable Final Terms), including the listing or admission to trading thereof on any dedicated “sustainable” or “social” or other equivalently-labelled segment of any stock exchange or securities market, to fulfil any social criteria required by any prospective investors. The Arranger and the Dealers have not undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Social Projects (as defined herein), any verification of whether the Eligible Social Projects meet such criteria or the monitoring of the use of proceeds of any Social Bonds (or amounts equal thereto). Investors should refer to the Social Financing Framework (as defined herein) and any further social financing framework which the Issuer may publish from time to time, the Second Party Opinion (as defined herein) and any further second party opinion delivered in respect of a social financing framework and any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Social Bonds for further information. Any such social financing framework and/or second party opinion and/or public reporting will not be incorporated by reference into this Prospectus and neither the Arranger nor any of the Dealers makes any representation as to the suitability or contents thereof.

OFFER RESTRICTIONS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes include 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, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “EU PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – 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 FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of 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 will 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 MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (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).

CANADIAN NOTICE TO INVESTORS – The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

GENERAL

BENCHMARKS REGULATION – Amounts payable under the Notes may be calculated or otherwise determined by reference to the Euro Interbank Offered Rate (“EURIBOR”) or the Sterling Overnight

Index Average (“SONIA”), which are provided by the European Money Markets Institute (as administrator of EURIBOR) and the Bank of England (as administrator of SONIA) respectively. As at the date of the Prospectus, the European Money Markets Institute (as administrator of EURIBOR) appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to Article 36 of Regulation (EU) 2016/1011 (the “EU Benchmarks Regulation”) and on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the “UK Benchmarks Regulation”). As far as the Issuer is aware, the Bank of England (as administrator of SONIA) is not required to be registered by virtue of Article 2 of the UK Benchmarks Regulation or the EU Benchmarks Regulation, respectively.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the EEA, the United Kingdom, Switzerland, Singapore and Japan (see “*Subscription and Sale*” on pages 118 – 121).

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets;
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

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

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act (see “*Subscription and Sale*” on pages 118 – 121).

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

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

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the intentions of the Issuer and beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Issuer and its subsidiaries (the “Group”), and the development of the markets and the industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results

or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See “*Risk Factors*” below.

TABLE OF CONTENTS

| | Page |
|---|-------------|
| DESCRIPTION OF THE PROGRAMME | 1 |
| RISK FACTORS | 8 |
| DOCUMENTS INCORPORATED BY REFERENCE | 40 |
| FORM OF THE NOTES | 41 |
| FORM OF FINAL TERMS | 43 |
| TERMS AND CONDITIONS OF THE NOTES | 54 |
| USE OF PROCEEDS | 104 |
| YORKSHIRE BUILDING SOCIETY | 105 |
| TAXATION | 116 |
| SUBSCRIPTION AND SALE..... | 118 |
| GENERAL INFORMATION..... | 122 |

DESCRIPTION OF THE PROGRAMME

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

This description constitutes a general description of the Programme for the purposes of Article 25 of Commission Delegated Regulation (EU) 2019/980 as it forms part of domestic law by virtue of the EUWA supplementing the UK Prospectus Regulation.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this description.

| | |
|--|--|
| Issuer | Yorkshire Building Society |
| Issuer Legal Entity Identifier (LEI) | WXD0EHQRPI7HKN3I5T57 |
| Arranger | HSBC Bank plc |
| Dealers | Barclays Bank PLC BNP Paribas HSBC Bank plc J.P. Morgan Securities plc NatWest Markets Plc UBS AG London Branch and any other Dealers appointed in accordance with the Programme Agreement. |
| Certain Restrictions | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”). |
| Distribution | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |
| Trustee | The Law Debenture Trust Corporation p.l.c. |
| Issuing and Principal Paying Agent and Agent Bank | HSBC Bank plc |
| Amount | Up to £5,000,000,000 outstanding at any time or its equivalent in other currencies as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Currencies | Subject to any applicable legal or regulatory restrictions, Notes may be denominated in euro, Sterling, U.S. Dollars, Yen or such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s) and the Trustee. |

| | |
|----------------------------|--|
| Maturities | Subject to the below, the Notes may have any maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms. At the date of this Prospectus, the maturity of all Notes is subject to a minimum maturity of one month, save that (i) in the case of Subordinated Notes, the minimum maturity will be five years and (ii) in the case of Senior Non-Preferred Notes, the minimum maturity will be one year, and in any case subject to such other minimum or maximum maturity as may be required from time to time by the relevant monetary authority (or equivalent body) or any laws or regulations applicable to the relevant currency. |
| Issue Price | Notes will be issued on a fully-paid basis and may be issued at par or at a discount to, or premium over, par. |
| Form | <p>The Notes will be issued in bearer form. Each Tranche of Notes will initially be represented by a Temporary Global Note which will be exchangeable as described therein either for a Permanent Global Note or definitive Notes (as indicated in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury Regulations. As described in “<i>Form of the Notes</i>” below, the applicable Final Terms will specify that a Permanent Global Note is exchangeable (in whole but not in part) for definitive Notes upon the occurrence of an Exchange Event. Any interest in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate.</p> <p>Notes to be issued under the Programme will be Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes. The Issuer may issue Notes in new global note (“NGN”) form or in classic global note form.</p> |
| Reset 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 Reset Reference Rate. The rate of interest may be reset on more than one occasion. |
| Fixed Rate Notes | Fixed interest will be payable in arrear on such date or dates as shall be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s). |
| Floating Rate Notes | <p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps</p> |

and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms).

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).

Interest Periods for Floating Rate Notes

Such period(s) as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Discontinuation

In the event that 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 applicable Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Notes and, potentially, the application of an adjustment spread (which could be positive, negative or zero)). See Condition 4(d) for further information.

Redemption

The Final Terms relating to each Tranche of Notes will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following the occurrence of a Tax Event, a Regulatory Event (in the case of Subordinated Notes only), 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 an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and other terms as may be agreed between the Issuer and the relevant Dealer(s).

Substitution and Variation in respect of Senior Non-Preferred Notes

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

Denominations of Notes

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that (i) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant currency and (ii) the minimum denomination of each Note will be €100,000 (or its equivalent in any other currency).

Taxation

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of United Kingdom taxes, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts:

- (i) in the case of (A) all Senior Preferred Notes and (B) each Series of Senior Non-Preferred Notes unless the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, in respect of interest or principal; or
- (ii) in the case of (A) all Subordinated Notes and each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, in respect of interest only,

as may be necessary so that the Noteholders receive the amount they would have received in the absence of such withholding or deduction, subject to certain exceptions as are described in Condition 9.

For the avoidance of doubt, in the case of (A) all Subordinated Notes and (B) each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, the Issuer will not pay any additional amounts in respect of principal.

Status of the Senior Preferred Notes

The Senior Preferred Notes and any relative Coupons will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject to the provisions of Condition 3) constitute ordinary non-preferential debt for the purposes of The Banks and Building Societies (Priorities on Insolvency) Order 2018 (as the same may

be amended, supplemented or replaced from time to time, the “**Order**”) and any law or regulation applicable to the Issuer which is amended by the Order (together, the “**Ranking Legislation**”). The Senior Preferred Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Senior Preferred Note or any beneficial interest therein, each holder of a Senior Preferred Note and related Couponholder acknowledge and agree that (subject to the provisions of Condition 3) the Senior Preferred Notes and any relative Coupons rank *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations (other than Senior Non-Preferred Notes and other obligations which rank or are expressed to rank junior to the Senior Preferred Notes) of the Issuer in respect of deposits and loans (except as provided by law), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case such claims (subject to the provisions of Condition 3) will rank as the Ranking Legislation provides for ordinary non-preferential debt generally.

Status of the Senior Non-Preferred Notes

The Senior Non-Preferred Notes and any relative Coupons are direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any relative Coupons rank junior to the Senior Preferred Notes and any relative Coupons. The Senior Non-Preferred Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Senior Non-Preferred Note or any beneficial interest therein, each holder of a Senior Non-Preferred Note and related Couponholder acknowledge and agree that the claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer’s obligations) in respect of the Senior Non-Preferred Notes and any relative Coupons will, in the event of the winding-up or dissolution of the Issuer (other than an Excluded Dissolution), rank in the manner provided in the Trust Deed and as specified in Condition 2(b), save only where the Ranking Legislation provides otherwise for secondary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation provides for secondary non-preferential debt generally (whether or not the Senior Non-Preferred Notes and any relative Coupons then constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

Status of the Subordinated Notes

The Subordinated Notes and any relative Coupons will be direct and unsecured obligations of the Issuer and constitute tertiary

non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Subordinated Notes and any relative Coupons rank junior to the Senior Non-Preferred Notes and any relative Coupons. The Subordinated Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Subordinated Note or any beneficial interest therein, each holder of a Subordinated Note and related Couponholder acknowledge and agree that the claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Subordinated Notes (and any relative Coupons) will, in the event of the winding-up or dissolution of the Issuer (other than an Excluded Dissolution) be subordinated in the manner provided in the Trust Deed and as specified in Condition 2(c), save only where the Ranking Legislation provides otherwise for tertiary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation provides for tertiary non-preferential debt generally (whether or not the Subordinated Notes and any relative Coupons then constitute tertiary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

Cross Acceleration

The Senior Preferred Notes and Unrestricted Default Senior Non-Preferred Notes will contain a cross acceleration clause in respect of present or future indebtedness of, or guaranteed by, the Issuer or any Principal Subsidiary (other than any guarantee given in the ordinary course of its business) having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency) as more fully described in Condition 10.

Negative Pledge

The Senior Preferred Notes will contain a negative pledge provision as more fully described in Condition 3.

Rating

As at the date of this Prospectus, the Issuer has (i) a senior preferred debt rating of A3 by Moody's and A by Fitch, (ii) a senior non-preferred debt rating of Baa2 by Moody's and A- by Fitch and (iii) a subordinated debt rating of Baa2 by Moody's and BBB by Fitch.

Moody's and Fitch are each included in the list of rating agencies published by the FCA in accordance with the UK CRA Regulation. Moody's Deutschland GmbH currently endorses ratings issued by Moody's and Fitch Ratings Ireland Limited currently endorses ratings issued by Fitch for regulatory purposes in the EEA in accordance with Regulation (EC) No. 1060/2009 (the "EU CRA Regulation"). Moody's Deutschland GmbH is established in Germany and Fitch Ratings Ireland Limited is established in Ireland and each has been registered under the EU CRA Regulation and is included in the list of rating

agencies published by ESMA in accordance with the EU CRA Regulation. There can be no assurance that Moody's Deutschland GmbH and Fitch Ratings Ireland Limited will continue to endorse ratings issued by Moody's and Fitch, respectively.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Issuer. 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.

Listing

Application has been made for Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes issued under the Programme to be listed on the London Stock Exchange's Main Market.

Governing Law

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

Agreement with respect to the Exercise of UK Bail-in Power:

Applicable.

Selling Restrictions

There are selling restrictions in relation to the United States, the EEA, the United Kingdom, Switzerland, Singapore and Japan and such other restrictions as may be required in connection with the offering and sale of a particular issue of Notes (see "*Subscription and Sale*").

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986) ("**TEFRA D**") unless the Notes are issued 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 applicable Final Terms of such Notes as a transaction to which TEFRA is not applicable.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur:

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below:

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

Risks related to the Issuer's business, financial condition and financial performance

The Society's results may be adversely affected by general economic conditions and other business conditions

The Issuer's business activities are concentrated in the UK and it offers a range of financial products and services to UK retail customers. Its operating results, financial performance and prospects are largely driven by the UK mortgage and savings markets, which in turn are driven by the prevailing economic conditions in the UK and the economic confidence of borrowers and savers. Adverse developments in the UK economy could cause the Issuer's earnings and profitability to decline. In particular, the UK residential mortgage market performance is closely 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. In recent years, the economy has been largely positive and as a result core retail market operations have benefited from solid growth and a reduction in underlying impairment charges.

A surge in global inflation rates and higher interest rates to bring inflation under control are expected to slow economic growth. Despite growth of 7.6 per cent. in 2021 and over 4 per cent. in 2022, the UK's gross domestic product ("GDP") is still below its pre-pandemic level in February 2020. Although activity did taper off in the second half of 2022, the latest data from the Office for National Statistics ("ONS") shows that GDP fell in only three months of 2022, with the decline in June and September 2022 mainly attributed to the extra bank holidays for the Queen's Platinum Jubilee and funeral, respectively, while the 0.2 per cent. month on month drop in April 2022 was largely due to the scaling back of the Covid-19 test and trace programme. While the level of GDP did not rise at all between January and November 2022, there were also no genuine declines in underlying real activity. The small 0.1 per cent. month on month gain in real GDP in November 2022 suggests the economy did not contract in the fourth quarter of 2022. Recent data shows that GDP grew in January 2023 by 0.3 per cent following a 0.5 per cent decline in December 2022.

The rise in the UK Consumer Prices Index ("CPI") started in 2021, increasing from 0.4 per cent. in February 2021 to 5.4 per cent. in December 2021. A combination of pent-up demand and global supply shortages as

economies gradually reopened after the relaxation of Covid-19 restrictions were the key drivers in pushing up the CPI. But since late February 2022 the main driver has been Russia's invasion of Ukraine, which has led to sanctions and escalation in wholesale gas, oil and agricultural commodity prices. In the UK, the CPI annual rate grew to a 40 year high of 11.1 per cent. in October 2022, which was almost entirely driven by the price of energy, despite the energy price guarantee put in place by the UK Government (the "**Government**") from October 2022. Although there has been a decline in CPI since that time, it rose from 10.1 per cent in January 2023 to 10.4 per cent in February 2023.

The latest UK labour market report, for the three months to January 2023, showed a broadly unchanged landscape with marginal signs of demand for labour easing – the number of job vacancies has fallen in nine consecutive months to 1.1 million, still 40 per cent. above the pre-pandemic average. The headline unemployment rate remained at 3.7 per cent to January 2023, from 3.5 per cent. from the prior three month period. This resilience in the labour market continues to place pressure on wage growth. Regular average pay growth was 5.5 per cent. in the three months to January 2023.

However, this supply-demand imbalance has eased in three months to January 2023 with unfilled vacancies falling and more workers actively seeking work. With a slowing economy and cost of living pressures this trend is expected to continue in 2023 and ease the wage-price spiral.

As at the date of this Prospectus, the Bank of England's bank rate has been raised from 0.10 per cent. to 4.25 per cent. since December 2021. Typically, it takes 18 to 24 months for higher rates to impact the economy as changes in the bank rate do not affect economic activity directly. Instead, the effect on the real economy (households and firms) comes via their impact on four channels: market interest rates, asset prices, expectations/confidence, and the exchange rate. These changes in financial conditions and economic sentiment then affect the real economy. For example, higher longer-term rates raise household and business borrowing costs, which weaken consumer spending, business investment and residential investment, while a stronger pound boosts imports and reduces exports.

Some channels are currently very responsive to changes in interest rates, such as new housing activity. But higher interest rates have a much slower influence on outstanding debt. Floating-rate mortgages accounted for 71 per cent. of all mortgages in 2012. But that is now markedly different, with just 15 per cent. of mortgages on floating rates and those 85 per cent. of households on fixed rates have tended to lock in for longer. Therefore, the impact on homeowners refinancing will be staggered.

Similarly, a bigger proportion of businesses are insulated from rising rates, especially those that took out fixed rate loans over a term of six to ten years during the pandemic.

On 24 December 2020, the UK and the EU agreed to the EU-UK Trade and Cooperation Agreement (the "**TCA**") in connection with the departure of the UK from the EU (commonly known as "**Brexit**"). The TCA had provisional application from 1 January 2021 and pending completion of ratification procedures and entered into force on 1 May 2021. However, the TCA does not cover financial services, other than through a general undertaking to ensure the implementation and application of internationally agreed standards in the financial services sector for regulation and supervision, leaving the decisions of "equivalence" and "adequacy" to be determined by each side unilaterally in due course. The TCA does provide for potential future agreements to supplement the TCA and to cover further issues including financial services. There is, however, no guarantee that such equivalence decisions will be issued by the EU or the UK in the future, or that any extensions or renewals of temporary equivalence decisions or similar transitional arrangements will be made by the EU or the UK in the future.

Any of the factors described above could have a material adverse effect on the Society's operating results, financial condition and prospects.

The Issuer will continue to be adversely affected by the economic and social impact of policies designed to support the UK economy

The outlook for the UK economy is uncertain, particularly in the short and medium term. Though Covid-19 fears have dissipated, geopolitical tensions, inflation and higher interest rate risks now dominate the outlook. After more than a decade of accommodative monetary policy of ultra-low interest rates and quantitative easing to support the recovery, the UK is now in a period of tightening policy as the Bank of England has to balance the risks related to higher interest rates combined with quantitative easing to bring inflation under control without derailing the economic recovery of the past year.

Further downward pressure on profitability and growth could occur as a result of a number of external influences, such as the consequences of a more austere economic environment and the impact of global economic forces on the UK economy. Adverse changes in global growth may pose the risk of a further slowdown in the UK's principal export markets, which would have an adverse effect on the broader UK economy.

On 27 January 2021, the FCA provided final guidance for firms entitled: 'Consumer credit and Coronavirus: Tailored Support Guidance' (the "**Tailored Support Guidance**"), that continues to remain active. The Tailored Support Guidance applies to firms dealing with borrowers facing payment difficulties due to circumstances related to Covid-19. The Tailored Support Guidance is designed to enable firms to continue to deliver short and long-term support to borrowers affected by the Covid-19 pandemic and to help borrowers bridge the crisis to get back to a more stable financial position.

The FCA makes clear in the guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

The Society's operating environment is expected to remain highly competitive, and further increases in competition would increase the level of business risk for the Society. A significant reduction in the demand for the Society's products and services could negatively impact the Society's business and financial condition.

Whilst credit quality at the Society has performed positively, improving upon pre-pandemic levels, despite central government support schemes tapering through 2021 (Furlough and Payment Deferrals), the pressure of sustained inflationary costs and increased mortgage interest rates experienced through 2022 could have adverse effects on household disposable income. There remains a risk that the additional cost associated with the maturity of fixed rate mortgage terms, moving to higher interest rates from a low position over a sustained period, coupled with sustained inflationary costs is not matched by wage growth, which in turn could place pressure on the ability of households to maintain monthly mortgage payments. These pressures on households may lead to an increase in arrears in the Society's residential mortgage book, and an associated increase in retail impairment. There can be no assurance that the Society will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans and/or for other reasons beyond its control. Material increases in the Society's provisions for loan losses and write-offs/charge-offs could have an adverse effect on the Society's operating results, financial condition and prospects.

As well as increased credit risk, including through unemployment and corporate insolvencies which could adversely impact the Society's members and customers and their ability to meet their obligations to the Society, there are likely to be continued operational risks, heightened due to the external events in Ukraine and economic pressures, including in areas such as cyber security, fraud, people, technology, suppliers and operational resilience.

Payment holidays or other similar concessions were offered on all retail products during the pandemic. Unlike other concessions granted to borrowers in financial difficulty, these payment holidays were not subject to detailed affordability assessments, and therefore the level of financial difficulty of the members and customers

who applied for them required estimation in a number of areas. Whilst adverse credit performance has not materialised from customers who utilised this support, the longer-term impacts to customers remain unknown.

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

The Issuer's core lending business is that of residential mortgage lending in the UK and the performance of the UK residential mortgage market is generally correlated to the UK economic cycle. The UK residential mortgage market performance may also be subject to geographic concentration risks within certain regions. To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions (due to local, national and/or macroeconomic factors) and weaker housing markets than other regions, a concentration in such a region may be expected to exacerbate all of the risks relating to the mortgage loans described above.

The economy of each geographic region in the UK is dependent on a different mixture of industries and other factors. Any downturn in a local economy or a particular industry may adversely affect the future regional employment levels and consequently the repayment ability of borrowers in that region or the region that relies most heavily on that industry. The Issuer cannot predict when or where such regional economic declines may occur or to what extent or for how long such conditions may continue as described above. In addition, any natural disasters or widespread health crises or the fear of such crises in a particular region may weaken economic conditions and reduce the value of affected mortgaged properties and/or negatively impact the ability of affected borrowers to make timely payments on mortgage loans. This may result in a loss being incurred upon the sale of the property and/or otherwise affect receipts on mortgage loans.

Borrowers' ability to make payments in respect of buy-to-let loans is likely to depend on the borrowers' ability to let the relevant properties on appropriate terms. This may be affected by the condition of the private residential rental market in the United Kingdom. The condition of the market will influence both the ability of the borrowers to find tenants and the level of rental income which may be achieved in letting. There have been various tax related changes to UK legislation in recent years which may affect the ability of borrowers to repay their buy-to-let loans due to the increased tax costs associated with buy-to-let mortgages. There has also been the introduction of energy efficiency regulations related to the energy performance of relevant domestic rental property. There may also be further legislative changes in the future which may impact individual borrowers of buy to let loans to meet their obligations under those loans which may in turn adversely affect the ability of the Issuer to make repayments on the Notes.

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

Market Risk

Market risk is the risk that the net value or income arising from the Issuer's assets and liabilities is impacted mainly as a result of market prices or changes in interest rates and foreign exchange rates. The most significant market risks the Issuer faces relates to interest rate risk. Interest rate risk can occur where there is a re-pricing mismatch risk where the value of, or income derived from, the Issuer's assets and liabilities changes unfavourably due to movements in interest rates. This risk arises from the different re-pricing characteristics of the Issuer's assets and liabilities. Interest rate risk can also occur due to basis risk which arises from possible changes in spreads where assets and liabilities re-price at the same time, but move in differing amounts causing unfavourable impacts to earnings.

Foreign exchange risk is where changes in currency rates (particularly Sterling-Dollar and Sterling-euro exchange rates) affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency.

It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance and business operations.

Funding Risk and Liquidity Risk

Funding risk and liquidity risk are the risk of the Issuer having inadequate cash flow to meet current or future requirements and expectations as they fall due. The financial obligations include investors' deposits, both on demand and those with contractual maturity dates, as well as repayments of other borrowings and loan capital.

The Issuer is subject to regulation that requires it to hold levels of surplus liquidity that ensure it maintains liquid assets to meet potential stressed outflows in addition to its expected cash flows, along with sufficient levels of stable funding relative to its long-term assets. These requirements may be subject to change as part of amendments to regulation or regulatory review of the Society.

The Issuer is exposed to liquidity risk as a result of mismatches in cash flows from balance sheet assets and liabilities and off-balance sheet financial instruments. The Issuer is exposed to liquidity risk where it cannot maintain surplus liquid resources to cover cash flow imbalances and fluctuations in funding. Funding risk is the inability to access funding markets or to do so only at excessive cost. If the Issuer fails to manage and control these risks the Issuer could become unable to meet its obligations, including those under the Notes, as they fall due.

Failure to meet the regulatory requirement for liquidity or stable funding 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. This, in turn, may affect the Issuer's capacity to continue its business operations or pursue strategic opportunities and may have an impact on future growth potential.

Credit Risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. The Issuer's retail credit exposures are managed in accordance with its Board approved lending policy which is based upon a comprehensive analysis of both the creditworthiness of the borrower and the proposed security. Following completion of a loan, the performance of all mortgages is monitored closely and all necessary action taken to manage the collection and recovery process. Wholesale counterparty exposures are also managed through Board approved limits which include the setting of limits on individual counterparties, countries, credit ratings and type of financial instrument.

A failure of the Issuer to effectively manage credit risk could lead to an increased incidence of credit losses, which could impact on the profitability of the Issuer and its ability to meet obligations under the Notes as they fall due.

Volatility in wholesale funding markets may reduce the availability or increase the cost of the Issuer's sources of funding, and may have an adverse effect on the Issuer's business and financial condition

The Issuer is dependent on short and long-term wholesale funding markets for liquidity. Due to the requirements of current building society legislation for retail savings, the Issuer's business is subject to risks concerning liquidity, which are inherent in financial institutions' operations. If access to liquidity is constrained for a prolonged period of time, this could affect the Issuer's business and financial condition.

Under exceptional circumstances, the Issuer's ability to fund its financial obligations could be negatively impacted if it is unable to access funding on commercially acceptable terms, or at all. While the Issuer expects to have sufficient liquidity to meet its funding requirements, even in a market-wide stress scenario, under extreme and unforeseen circumstances a prolonged and severe restriction on its access to liquidity (including as a result of the withdrawal of government and central bank funding and liquidity support, or a change in the structure, term, cost, availability or accessibility of any such funding or liquidity support) could increase the

Issuer's cost of funding, resulting in a material adverse effect on its financial condition or results of operations, and/or could affect the Issuer's ability to: (i) meet its financial obligations as they fall due; (ii) meet its regulatory minimum liquidity requirements; or (iii) fulfil its commitments to lend.

In such extreme circumstances the Issuer may not be in a position to continue to operate without additional funding support. Inability to access such support could have a material impact on the Issuer's solvency. These risks can be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide phenomena such as market dislocation and pandemics (such as Covid-19) and major disasters. There is also a risk that the funding structure employed by the Issuer may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long-term for the Issuer to grow its business or even maintain it at current levels. The Issuer's ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors outside of the Issuer's control, such as liquidity constraints, general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The Bank of England's Term Funding Scheme with additional incentives for SMEs ("TFSME") opened in March 2020 for a period of 12 months as support during the Covid-19 pandemic. In December 2020, it was announced that the drawdown period was to be extended to 31 October 2021 (from 30 April 2021) and the reference period would run from 31 December 2019 to 30 June 2021 (extended from 31 December 2020).

The TFSME scheme was designed to support banks and building societies which were finding it difficult to reduce deposit rates much further in a low interest rate environment. The continuation and extension of government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. The Issuer is participating in the TFSME scheme and continues to have outstanding balances under such scheme.

The Issuer expects to face continuing significant competition in the retail savings market on which the Issuer is reliant. The withdrawal of government support could increase funding costs for those institutions which have previously utilised that support. In addition, other financial institutions that have relied significantly on government support to meet their funding needs will also need to find alternative sources of funding when that support is reduced or withdrawn and, in such a scenario, the Issuer expects to face increased competition. This competition could further increase its funding costs and so adversely impact its results of operations and financial position and potentially impact upon its ability to make payment on the Notes.

Competition in the UK financial services markets may impact the business's operations

The Issuer operates in the UK financial services markets. Developments in this market, including increased competition, could potentially have an adverse impact on the Issuer's business. Factors such as the entry of new participants, surplus liquidity from the ring-fencing of retail banks, the impact of both Covid-19 and the cost of living crisis and new technological developments have led to increased market volatility in recent years and may have an impact on the ability of the Group to maintain or grow its market share.

Following the mini-budget delivered in September 2022, mortgage rates rose significantly, leading to a marked reduction in market size. While the market has since stabilised, market size still remains below the historical average across both residential and buy-to-let lending. Negative house price inflation exhibited since the mini-budget has also slightly reduced availability of mortgages for borrowers with higher loan-to-value ratios.

The activities of challenger banks and FinTech firms, as well as rapidly accelerating digital transformation of direct competitors, continues to gather momentum, with firms looking to differentiate themselves through the service and functionality they can provide. Consumer expectations from other sectors and, increasingly, within financial services increase the risk of the Issuer losing relevance amongst savers and home buyers. Digitalisation

of the business in order to respond to market conditions continues at pace, but also creates a need to further enhance the Group's risk management capabilities across a number of categories.

The Group is actively pursuing a strategy of differentiation across both its assets and liabilities to mitigate the impact of increased price competition across retail markets. However, there can be no assurance that the Issuer will be able to continue to attract the necessary retail and wholesale funding, and volumes of mortgage originations, required to maintain and grow its business.

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

The Issuer has an Enterprise Risk Management Framework in place that sets out a summary of the Group's risk management activities to be undertaken across all business areas within the Group. This framework defines Operational Risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. These include but are not limited to business continuity risk, information technology risk, information security risk, change risk, payments risk, people risk and third party risk. There can be no assurance that the Group's risk control and loss mitigation procedures will eliminate each of the operational risks faced by the Group and a failure to manage these risks effectively could adversely impact the Group's business and financial condition.

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

The ageing and diverse Information Technology ("IT") infrastructure, software, applications, satellite IT and use of third party packages present within institutions across the UK financial services sector, including at the Group, expose firms to increasing operational risks. As IT components age, their fit and value often deteriorate whilst cost and risk often conversely grow. Moreover, future digitalisation and modernisation initiatives may force firms, including the Group, to use old technology in ways for which they were not designed. Over the last couple of years, the Issuer has embedded an approach to managing and mitigating its legacy IT risks. The Group has an ongoing change programme designed to keep pace with developments in the industry. Although the Group continues to undertake significant investment in the upgrade of its core IT infrastructure, 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.

Failure or delay in delivering the Group's change agenda successfully, including an increase in the costs, complexity or implementation time, could have a material adverse effect on the Group's business and financial condition.

Failure by the Group to control operational resilience risk could have a material adverse effect on the Group's business, financial condition and/or reputation

The increasing use of technology and the pace of technological change expose the UK financial services sector, including the Group, to ever increasing and evolving cyber security threats – including ransomware, data breaches and weaknesses in the supply chain. Resilience to such threats and an ability to respond effectively in the event of an attack are essential in order to protect the Group, maintain the trust of its customers and the confidence of its regulators. The Group continues to invest in operational resilience and legacy IT risk mitigation as part of its Group-wide Security Improvement Programme, however, any disruption caused by such an event could result in the Group being unable to carry out its operations, which could have an adverse effect on the Issuer and could damage the Group's reputation with customers, depositors, investors and regulators.

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

The Issuer's reputation is one of its most important assets and its ability to attract and retain customers and conduct business with its counterparties could be adversely affected were the Issuer's reputation damaged. Failure to address, or appearing to fail to address, issues that could give rise to reputational risk could cause harm to the Issuer and the Issuer's business prospects.

Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; cyber security; legal and regulatory requirements; ethical issues; adequacy of anti-money laundering processes; customer privacy issues; customer service issues; colleague wellbeing; recordkeeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and generally poor business performance.

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

Failures in the design or effectiveness of models could have a material adverse effect on the Group's business, financial condition and/or reputation risk

Model risk is the risk that the Issuer's models that are used to manage the business are inaccurate, perform inadequately or are incorrectly used and as a result of weaknesses or failures in the design or use of a model, a financial loss occurs or a poor business or strategic decision is made. To mitigate this risk, model risk is managed within the framework set out in the Group's Model Risk Policy, which includes governance, assurance, oversight and reporting requirements for the use of models within the Group relative to their inherent risk. Any failure to manage this risk adequately could adversely affect the Group's business, financial condition and results of operations and could damage its relationships with its regulators.

The Issuer may not achieve targeted profitability or efficiency savings, which could have an adverse impact on its capital planning and/or results of operations

As a mutual organisation, the Issuer has no external shareholders, so its profitability targets are set to ensure that it continues to be financially sustainable, enabling it to keep creating value for its stakeholders in the future. It is important to the Issuer that the level of income it generates covers the cost of running the organisation and delivering its products and services. Any additional profit is invested in:

- (i) protecting its financial position and supporting its growth by building its capital strength;
- (ii) its future, through the delivery of better products and services; and
- (iii) its people, local communities and other social or environmental responsibilities.

The help the Issuer offers to its savers has to be balanced against the rates it offers to its mortgage borrowers in order to protect its profitability and assure its longer term stability.

In light of strong competition in the market and downward pressure on mortgage margins, the Issuer has shifted the focus of its lending strategy from a volume based approach to one based on both volume and value, through utilising its enhanced pricing capabilities. It has also embarked on a programme of digital transformation currently focussed on savings, with a material shift in capability already delivered and enabling recent strong growth. Given the margin pressures in both the mortgage and savings markets, the Issuer has to continue to focus on reducing costs, where it makes good sense to do so, and improving efficiency, so it can provide its members with value for money.

However, there can be no assurance that targeted levels of income and cost savings will be achieved. Any failure by the Issuer to meet its targeted financial performance could adversely impact its capital ratios and the results of operations of the Issuer.

Ratings downgrades in respect of the Issuer and the UK

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

As at the date of this Prospectus, the UK's long-term ratings are "Aa3" from Moody's and "AA-" from Fitch. Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could destabilise the markets, impact the Issuer's ratings, its borrowing costs and its ability to fund itself and have a material adverse effect on the Issuer's operating results and financial condition. In addition, a UK sovereign downgrade, or the perception that such a downgrade may occur, would be likely to depress consumer confidence, restrict the availability, and increase the cost, of funding for individuals and companies, depress economic activity, increase unemployment and/or reduce asset prices. These risks are exacerbated by concerns over general market turmoil, slowing global growth, and trade tensions. Instability within global financial markets might lead to instability in the UK, which could have a materially adverse impact on the Issuer's performance.

The Issuer is rated by Moody's and by Fitch. Any downgrade in the rating of the Issuer by a credit rating agency may have a negative impact on the ratings of Notes issued under the Programme.

The Issuer could be negatively affected by deterioration in the soundness or a perceived deterioration in the soundness of other financial institutions and counterparties

Given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, other building societies, securities firms and exchanges with whom the Issuer interacts on a daily basis. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects.

The Issuer routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, insurance companies and other institutional clients, resulting in large daily settlement amounts and significant credit exposure. As a result, the Issuer faces concentration risk with respect to specific counterparties and customers. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to significant liquidity problems, losses or defaults for the Issuer.

Climate Change

The Issuer believes that climate change is one of the most critical issues facing the UK and global economy. The main climate change risks impacting the Issuer are how physical risks such as flooding, subsidence and coastal erosion affect its customers' homes which could lead to a decline in the value of the associated

properties. There are also risks posed by the transition to a low-carbon economy such as energy efficiency regulation and any exposure to sectors most affected by this change.

During 2022, the Issuer reviewed and updated its Environmental and Climate Change Risk Policy in order to integrate the associated financial and operational risks of climate change; define how it governs environmental and climate risks; and incorporate its climate commitments. The Issuer continues to develop its environmental and climate change risk management capabilities to integrate these within its risk management framework, to ensure it aligns with best practice and can meet reporting and disclosure requirements.

If the Issuer does not adequately embed the management of risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on the Issuer's operations, financial condition and prospects. Inadequate climate risk disclosure or inadequate management or disclosure of climate-related risk or failure to evidence progress in line with expectations, could also result in potential reputational damage, member attrition or loss of investor confidence. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or risk of legal claims.

Risks related to the Issuer's regulatory environment and conduct

Regulatory and conduct risks faced by the Issuer

Authorised firms in the UK 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 and, where appropriate following the UK's exit from the EU, the EU. 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, which the Issuer expects to continue for the foreseeable future. The Government, the Prudential Regulation Authority (the "PRA"), the FCA and other regulators in the UK or the EU 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 regulation may have on the Issuer include, without limitation, the imposition of additional costs on the Issuer 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. Failure to manage these risks adequately could impact the Issuer adversely and materially, both financially and reputationally.

The financial impact of regulatory risks might be considerable but are difficult to quantify. Amounts eventually paid may exceed the amount of any provisions set aside to cover such risks, which could materially adversely affect the financial condition and results of operations of the Issuer.

Future legislative, accounting 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 and prospects

The Issuer conducts its business subject to ongoing regulation and supervision by the FCA and the PRA. The regulatory regime requires the Issuer to be in compliance with a range of different requirements, including rules relating to capital, liquidity, leverage, provisions for expected credit losses, consumer credit, mortgage provision and data protection measures, as well as regulations impacting many aspects of its activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. The Issuer may also be impacted by new regulation in the future, for example relating to open banking, new payment architecture, setting of rates for certain customers, money laundering, climate change, consumer duty, minimum requirement for own funds and eligible liabilities (“MREL”), capital, liquidity and leverage measures. In addition, the Issuer is subject to accounting, fiscal and other rules, which are also subject to change. If the Issuer fails to comply with any relevant regulations or rules, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. Future changes in regulation, accounting, fiscal or other policies are unpredictable and beyond the Issuer’s control and could materially adversely affect its business or operations.

The PRA published Consultation Paper CP16/22 in November 2022 which sets out the PRA’s proposed implementation of the Basel 3.1 standards. It sets out proposed changes to capital requirements which will impact the Issuer and other firms/issuers. The PRA proposes implementation of Basel 3.1 standards on 1 January 2025. The Issuer will keep abreast of the proposed changes as they form into policy and regulation.

As at the date of this Prospectus, it is impossible to predict the effect that any of the proposed or recent changes will have on the Issuer’s operations, business, financial condition or prospects or how any of the proposals discussed above will be implemented. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Issuer’s operations, structure, costs and/or capital requirements. Accordingly, the Issuer cannot assure investors that the implementation of any of the foregoing matters or any other regulatory, accounting, fiscal or legislative changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

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 deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders

Under the UK Banking Act 2009, as amended (the “**Banking Act**”), substantial powers are granted to HM Treasury, the PRA, the 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 each case, the Authorities have wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The Banking Act also provides that extraordinary public financial support through additional financial stabilisation tools will only be available to a relevant entity as a last resort after having assessed and used the above resolution tools to the maximum extent practicable whilst maintaining financial stability, and where certain other mandatory conditions have been satisfied. These consist of the public equity support and temporary public ownership 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 common equity tier 1 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 common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), if the Authorities consider that the institution or the group 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 are expected to be Tier 2 capital instruments, and any such Subordinated Notes would be subject to the capital write-down tool. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.

Accordingly, the use of any stabilisation powers in respect of the Issuer may have an adverse effect on the Issuer’s ability to perform its obligations in respect of Notes issued under the Programme, and the use (or perceived risk of use) of any stabilisation powers and/or (in the case of Subordinated Notes) the capital write-down tool in respect of Notes themselves may impact the market price of the Notes and/or may adversely affect the rights of Noteholders in respect of their Notes. These risks are discussed further in the following paragraphs.

The SRR and/or capital write-down tool may be triggered prior to insolvency of the Issuer

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 (including where the relevant entity is failing or likely to fail to meet the threshold conditions specified in the FSMA), (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. For further information with respect to the exercise of the capital write-down tool, see “*Mandatory write-down and conversion of capital instruments may affect the Subordinated Notes*”.

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.

Although the Banking Act provides for conditions to the exercise of any resolution powers, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are not

required to provide any advance notice to Noteholders of their decision to exercise any resolution power. Therefore, Noteholders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

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

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

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

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

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

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

The taking of any such actions could materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes, the liquidity and/or volatility of any market in the Notes and/or the ability of the

Issuer to satisfy its obligations under the Notes. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act. However, such compensation will be limited to the return the Noteholder might otherwise have received on an insolvency of the Issuer (less the value already received through resolution), and there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

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

Mandatory write-down and conversion of capital instruments may affect the Subordinated Notes. The Senior Non-Preferred Notes may also be subject to write-down and conversion.

As noted above, in addition to the stabilisation options which may be used in a resolution of an institution, 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. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.

For the purposes of the application of such mandatory write-down and conversion power in relation to the Subordinated Notes, 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 and relevant internal liabilities are written-down or converted or (iii) the relevant entity requires extraordinary public financial support (other than, where the entity is an institution, in certain circumstances for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability).

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 would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised.

The exercise of such write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of holders of Subordinated Notes and Senior Non-Preferred 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 Senior Non-Preferred 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 or Senior Non-Preferred Notes.

A partial transfer of the Issuer’s business may result in a deterioration of its creditworthiness

If the Issuer were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (which may include the Notes) may result in a deterioration in the creditworthiness of the Issuer and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Notes and/or eventually become subject

to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act. However, such compensation will be limited to the return the Noteholder might otherwise have received on an insolvency of the Issuer (less the value already received through resolution), and there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer or any of its securities and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order or instrument if made.

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

Beyond the goals of addressing banking crises pre-emptively and minimising taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution), there is considerable uncertainty regarding the specific factors which the relevant Authorities would consider in deciding whether to exercise the Banking Act resolution powers with respect to the relevant financial institution and/or securities, such as the Notes, issued by that institution. While the Banking Act provides some guidance as to how and when the resolution powers may be utilised by the relevant Authorities, the Banking Act allows for discretion and there is no certainty as to how the relevant Authorities will exercise any resolution powers with respect to a financial institution and/or securities issued by that institution. As there may be many factors, including factors outside of the Issuer's control or not directly related to it, which could result in such a determination, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such resolution powers.

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

Certain liabilities of the Issuer will by law rank in priority to the Senior Preferred Notes in the event of a winding up of the Issuer

As a result of changes to the United Kingdom building societies legislation (as described briefly below), from 1 January 2015 holders of Senior Preferred Notes and the claims of other unsubordinated creditors of the Issuer rank, in an insolvency of the Issuer, junior to member share accounts which are given preferential status (as described below). Senior Non-Preferred Notes and Subordinated Notes will rank junior to all such members and creditors, as well as ranking junior to Senior Preferred Notes.

Section 90B of the Building Societies Act 1986, as amended (the "**Act**") (which was inserted by the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) was brought into force with effect from 20 November 2014. HM Treasury exercised the power which was granted to it under Section 90B by making the Banks and Building Societies (Depositor Preference and Priorities) Order 2014 (the "**Depositor Preference Order**"), 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 that, on the winding-up, or dissolution by consent, of a building society, any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits; liabilities in respect of preferential debts; or any other category of liability which HM Treasury specifies in the order for these purposes) or to member share account holders (other than liabilities in respect of preferential debts and deferred shares) are applied in satisfying those liabilities *pari passu*.

The Depositor Preference Order (i) extended the scope of preferential debts in respect of deposits and (ii) ensured that any sums due to building society members in relation to their shareholding in respect of deposits that do not benefit from the depositor preference requirements will nevertheless rank *pari passu* with all other (non-preferred) senior unsecured creditors.

These changes also have the effect of granting:

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

The claims of the holders of Senior Preferred Notes (as well as claims in respect of Senior Non-Preferred Notes and Subordinated Notes) therefore rank junior to the claims in respect of liabilities afforded preferential status under (i) or (ii) above and, accordingly, in the event of insolvency or resolution of the Issuer, Senior Preferred Notes would be available to absorb losses ahead of liabilities which benefit from such first-ranking or second-ranking preference (and Subordinated Notes would be available to absorb losses ahead of Senior Non-Preferred Notes, which in turn would be available to absorb losses ahead of Senior Preferred Notes).

As a result, in the event of insolvency or winding up of the Issuer:

- (i) the assets of the Issuer would be applied first to satisfying in full all claims in respect of those deposits and share accounts which enjoy preferential status (as described above) before any recovery would be made on claims in respect of Senior Preferred Notes (and the claims in respect of Senior Preferred Notes would rank *pari passu* with those deposits and share accounts which are not afforded preferential status);
- (ii) no recovery would be made on claims in respect of Senior Non-Preferred Notes unless and until the claims in respect of all deposit and share accounts, as well as claims in respect of Senior Preferred Notes and any other unsubordinated liabilities ranking *pari passu* with or in priority to Senior Preferred Notes, have first been satisfied in full; and
- (iii) no recovery would be made on claims in respect of Subordinated Notes unless and until the claims in respect of all Senior Non-Preferred Notes, any other Senior Non-Preferred Claims and any more senior-ranking Subordinated Claims (if any) have first been satisfied in full.

It is further expected that this ranking would be respected in the event that resolution action were to be taken in respect of the Issuer pursuant to the Banking Act (as further described above 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 deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*”).

Therefore, 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.

Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the "SM&CR") is intended to govern the conduct of senior persons within UK banks, building societies, credit unions, PRA-designated investment firms and branches of foreign banks operating in the UK. The SM&CR came into force for dual regulated firms on 7 March 2016.

On 19 June 2013, the Parliamentary Commission on Banking Standards (the "PCBS") published its final report ("Changing Banking for Good"). This was followed by the publication of the Government's response on 8 July 2013, accepting the overall conclusions of the final report and all of its principal recommendations. Among other things, this included proposals for: (i) a new senior persons regime governing the conduct of bank staff, (ii) the introduction of a criminal offence for reckless misconduct by senior bank staff and (iii) steps to improve competition in the banking sector. On 18 December 2013, the Banking Reform Act, which includes provisions to address certain of the PCBS's recommendations, received royal assent.

Following a period of consultation, the FCA and the PRA published their final rules and guidance on the SM&CR for Banks, Building Societies and Credit Unions. Amongst other things, from 7 March 2017 the SM&CR has introduced a criminal offence for reckless misconduct by senior bank staff. On 9 December 2019 this was extended and brought into scope FCA solo regulated firms such as mortgage brokers.

Complying with new regulations imposes costs on the Society's business, including legal costs to implement new policies and procedures, as well as the time and attention of senior management. In addition, any violation of the SM&CR could result in disciplinary action against the Society or any of its employees, financial penalties as well as reputational damage, any of which could have a material adverse effect on the Society's business, financial position or results of operations. Whilst it is believed the SM&CR has been successfully embedded by the Issuer and its subsidiaries to which these obligations relate, it is important to remember the constantly evolving nature of regulation in the UK as it responds to challenges in the external environment. An example of this was the response to Covid-19 and the publication in April 2020 of the "Joint FCA and PRA statement Senior Managers and Certification Regime (SM&CR) and coronavirus (Covid-19): our expectations of dual-regulated firms".

The SM&CR has had, and will likely continue to have, a substantial impact on banks and building societies in the UK generally, including the Issuer and any of the Issuer's subsidiaries which are FSMA authorised persons.

The Issuer is subject to regulatory capital requirements that are subject to change and may result in additional capital requirements for the Issuer

The Issuer is subject to capital requirements that could have an impact on its operations. Changes to the capital requirements under which the Issuer operates could hinder growth by prescribing more stringent requirements than those with which it currently complies. UK regulators and international policymakers have reviewed a number of areas of the regulatory capital framework, with a view to making changes as appropriate.

The Basel Committee on Banking Supervision ("BCBS") 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 3.1" 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 may be 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 will be 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 co-operative 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 expiration of the transition period) being retained as domestic UK law, with certain exceptions and adjustments, primarily through the EUWA and ancillary legislation.

On 30 November 2022, the PRA issued Consultation Paper 16/22 (CP16/22) – Implementation of the Basel 3.1 standards. The CP sets out the PRA’s proposed rules and expectations with respect to the implementation of the Basel 3.1 standards. The consultation proposes changes to the frameworks for credit risk (Standardised and Internal Ratings Based/ IRB), credit risk mitigation techniques, operational risk, market risk and credit valuation adjustment (CVA) risk, and output floors with implementation on 1 January 2025. The PRA are expected to consult further on the implementation of the Pillar 2 framework for capital requirements.

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. This, in turn, may affect the Issuer’s capacity to continue its business operations or pursue strategic opportunities 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:

- (i) 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.
- (ii) 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.

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

Risk of an increase in levies on the Issuer to fund payments under the FSCS

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Based on its share of protected deposits, the Issuer pays levies to the FSCS to enable the scheme to meet claims against it.

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

There can be no assurance that there will be no further actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer. Any such increases in the Issuer's costs and liabilities related to the levy may have a material adverse effect on its results of operations. Further costs and risks may also arise from discussions at governmental levels around the future design of financial services compensation schemes, such as increasing the scope and level of protection and moving to pre-funding of compensation schemes.

Consumer Duty

The intention of the new consumer duty principle (the “**Consumer Duty**”) is to deliver higher levels of consumer protection in retail financial markets. It aims to do so by encouraging firms to compete in the interests of consumers, as well as driving a healthy and successful financial services system, where firms thrive and consumers can make informed choices about their financial products and services.

The rules come into force on a phased basis which has been extended from the initial nine months previously proposed by the regulators:

1. **30 April 2023** - Manufacturers should aim to complete all the reviews necessary to meet the four outcome rules for their existing open products and services. Manufacturers should share with distributors the information necessary for them to meet their obligations under the Consumer Duty.
2. **31 July 2023** - The rules come into force for new and existing products or services that are open to sale or renewal.
3. **31 July 2024** - The rules come into force for closed products or services.

This is an evolution of the cultural and behavioural shift that has been a theme in FCA work such as the SM&CR and its work on vulnerable customers. Culturally, it means moving to an outcome focus stance where firms are preventing harm proactively, rather than having to remediate when harm is caused.

The new Consumer Duty aims to bring about a fairer, more consumer-focused and level playing field in which:

- firms are consistently placing consumers' interests at the centre of their businesses and extending their focus beyond ensuring narrow compliance with specific rules to focus on delivering good outcomes for consumers;
- competition is effective in driving market-wide benefits, with firms competing to attract and retain customers based on high standards and innovate in pursuit of good consumer outcomes; and
- consumers get products and services which are fit for purpose, provide fair value, that they understand how to use and are supported in doing so.

The scope of the Consumer Duty includes all retail clients including prospective clients. Complying with this regulation is likely to lead to an increase in costs as it requires firms to:

- review their existing products and services, including closed book products;
- review and update, where appropriate, processes for introducing new products and services to ensure compliance with the new expectations; and
- ensure they can evidence how they achieve good outcomes.

It will be the responsibility of all senior management to ensure good outcomes for consumers in line with the new duty, and for evidencing that this is happening. An annual report will be signed off by the board to confirm compliance with the duty and agree any actions that need to be taken to gain or maintain compliance.

The costs to the financial services sector as a whole, in terms of both compliance and ongoing annual direct costs, are likely to be significant. However, the individual costs for each firm will differ from organisation to organisation and, at this stage, are difficult for the Issuer to predict.

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

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect, or is perceived to be able to elect, to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be entitled to redeem Notes at its option (if so specified in the applicable Final Terms) and/or following the occurrence of a Tax Event, a Regulatory Event (in the case of Subordinated Notes) or a Loss Absorption Disqualification Event (in the case of certain Senior Non-Preferred Notes) (each as defined in the Terms and Conditions of the Notes).

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

Redemption of Senior Non-Preferred Notes following a Loss Absorption Disqualification Event

If so specified in the applicable Final Terms, the Issuer may redeem the Senior Non-Preferred Notes upon the occurrence of a Loss Absorption Disqualification Event. If such Senior Non-Preferred Notes are to be so redeemed or there is a perception that they may be so redeemed, this may impact the market price of such Notes.

A Loss Absorption Disqualification Event shall be deemed to have occurred in respect of a Series of Senior Non-Preferred Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective after the issue date of such Series of Senior Non-Preferred Notes, such Senior Non-Preferred Notes are or (in the opinion of the Issuer or the Supervisory Authority (as defined in the Terms and Conditions of the Notes)) are likely to become fully or (if so specified in the applicable Final Terms) partially excluded from the Issuer's (whether on an individual or consolidated basis) minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the 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 Senior Non-Preferred Notes from the Issuer's minimum requirement(s) is due to the remaining maturity of such Senior Non-Preferred 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 such Series of Senior Non-Preferred Notes.

As the implementation of MREL in the UK is subject to further review by the Bank of England, it is not possible to predict whether the Senior Non-Preferred Notes will be fully or partially excluded from the Issuer's minimum requirements referred to above. If any of the Senior Non-Preferred Notes are to be redeemed as a result of a Loss Absorption Disqualification Event or there is a perception that such Senior Non-Preferred Notes may be so redeemed, this may impact the market price of such Senior Non-Preferred Notes. In addition, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Non-Preferred 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.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

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

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

The Senior Non-Preferred Notes and the Subordinated Notes rank junior to most of the Issuer's liabilities

Whilst the Issuer's Senior Non-Preferred Notes and Senior Preferred Notes both share the 'senior' designation under the Programme, the Senior Non-Preferred Notes rank junior to the Senior Preferred Notes (which, in turn,

rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits – see “*Certain liabilities of the Issuer will by law rank in priority to the Senior Preferred Notes in the event of a winding up of the Issuer*” above) and other unsecured and unsubordinated liabilities. Accordingly, prospective investors in Notes issued under the Programme should note that, in the event of the Issuer's insolvency or resolution, investors in the Senior Non-Preferred Notes would generally be expected to lose their entire investment before losses are imposed on holders of the Senior Preferred Notes. The Subordinated Notes rank junior to the Senior Non-Preferred Notes, and the Issuer may also issue other securities which rank junior to the Senior Non-Preferred Notes and in priority to the Subordinated Notes. Further, investors in the Subordinated Notes and (if so specified in the applicable Final Terms) Senior Non-Preferred Notes will not be entitled to exercise any rights of set-off against the Issuer in respect of such Notes.

If the Issuer is declared insolvent and a winding up is initiated the Issuer will, before it can make any payments on the Subordinated Notes, be required to pay in full the holders of its senior-ranking debt (including in respect of the Senior Preferred Notes and Senior Non-Preferred Notes) and meet its obligations to all of its retail member depositors and other creditors, other than its obligations (i) with respect to its Additional Tier 1 Capital, CET1 Capital or Tier 2 Capital (each as defined in the Terms and Conditions of the Notes) or (ii) which otherwise rank *pari passu* with, or junior to, the claims in respect of the Subordinated Notes. Accordingly, on a winding-up of the Issuer, if the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the holders of Subordinated Notes will lose their entire investment in such Notes. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations under the Subordinated Notes and all other claims that rank *pari passu* with the Subordinated Notes, holders of Subordinated Notes will lose some (which may be substantially all) of their investment in such Notes.

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 capital write-down under the Banking Act, as such resolution and capital write-down 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 deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*” above.

The Banks and Building Societies (Priorities on Insolvency) Order 2018 (as the same may be amended, supplemented or replaced from time to time, the “**Order**”) came into effect on 19 December 2018. Under the Order, the debts of a relevant institution (which would include the Issuer) which are ‘non-preferential’ debts (i.e. those debts which are not presently given priority over ordinary unsecured claims under UK insolvency law) are no longer treated as a single *pari passu* class, and instead split into three distinct tiers:

- (1) ‘ordinary non-preferential debts’ (broadly equating to ordinary senior unsecured liabilities);
- (2) ‘secondary non-preferential debts’; and
- (3) ‘tertiary non-preferential debts’ (which would include liabilities in respect of tier 1 and tier 2 own funds instruments and other subordinated liabilities).

The Order provides that, in an insolvency of a relevant institution, ordinary non-preferential debts will be paid in priority to secondary non-preferential debts, which in turn will be paid in priority to tertiary non-preferential debts.

As further set out at Condition 2 (to which investors will be deemed to acknowledge and agree by acquiring the Notes):

- (i) claims in respect of Senior Preferred Notes issued under the Programme and any relative Coupons will constitute part of the class of ‘ordinary non-preferential debts’ (or such other designation as may be attributed to the equivalent class of debts) under the Order;
- (ii) claims in respect of Senior Non-Preferred Notes issued under the Programme and any relative Coupons will constitute part of the class of ‘secondary non-preferential debts’ (or such other designation as may be attributed to the equivalent class of debts) under the Order; and
- (iii) claims in respect of Subordinated Notes issued under the Programme and any relative Coupons will constitute part of the class of ‘tertiary non-preferential debts’ (or such other designation as may be attributed to the equivalent class of debts) under the Order.

The class of ‘secondary non-preferential debts’ introduced under the Order is designed to contribute towards institutions’ ‘eligible liabilities’ for the purposes of their MREL requirement. MREL is designed to be available to resolution authorities for write-down, write-off or conversion to equity in order to absorb losses and recapitalise a failing institution in the event of resolution action being taken, and before more senior-ranking creditors suffer losses. The amount of MREL the Issuer is required to maintain over time will be based on the expected required capacity to resolve and, if appropriate, recapitalise the Issuer in the event of its failure. Accordingly, if such calibration is accurate, it may be the case that, in a resolution, investors in Senior Non-Preferred 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 losses). The market value of the 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).

Investors should ensure they understand the relative ranking of Notes issued under the Programme – including as between Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes - and the risks consequent thereon, before investing in any Notes.

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

The only events of default under the Conditions of the Subordinated Notes and any Series of Senior Non-Preferred Notes for which the applicable Final Terms specifies “*Senior Non-Preferred Notes: Restricted Events of Default*” as being “Applicable” are (i) where there is a failure to pay principal or interest for a period of seven days or more, in respect of principal, or 14 days or more, in respect of interest, when it otherwise becomes due and payable or (ii) in the event of the commencement of the winding-up or dissolution of the Issuer (other than an Excluded Dissolution (as defined in the Terms and Conditions of the Notes)).

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 any such Series of Senior Non-Preferred Notes will be the institution of proceedings for the winding-up of the Issuer. 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 principal amount of the Subordinated Notes or any such Series of Senior Non-Preferred Notes.

In the event of 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, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified 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 Early Redemption Amount (as described in Condition 5(i)) together with accrued interest (if any).

The rate of interest of Reset Notes will be reset, which may affect the secondary market for and the market value of such Reset Notes

In the case of any Series of Reset Notes, the rate of interest on such Reset Notes will be reset by reference to the Reset Reference Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in Condition 4(c). The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Reset Notes. Following any such reset of the rate of interest applicable to the Notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Reset Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest.

Risks related to Notes generally

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

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 EURIBOR and SONIA (each as defined below), which are deemed to be “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 as to how they are created and operated. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) was published in the Official Journal of the EU on 29 June 2016 and was applied as of 1 January 2018. The EU Benchmarks Regulation and the UK Benchmarks Regulation apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and in the UK, respectively. The EU Benchmarks Regulation and the UK Benchmarks Regulation, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based or non-UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities or UK supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based or non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation 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. 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 benchmark.

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.

It is not possible to predict with certainty whether, and to what extent, the euro interbank offered rate (“**EURIBOR**”) will continue to be supported going forwards. This may cause EURIBOR to perform differently than it has done in the past, and may have other consequences which cannot be predicted. The discontinuation of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could

require an adjustment to the Terms and Conditions of the Notes (see “*If EURIBOR or any other benchmark is unavailable, the applicable floating rate of interest will be changed in ways that may be adverse to holders of such Notes, without any requirement that the consent of such holders be obtained*” below), or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

If EURIBOR or any other benchmark is unavailable, the applicable floating rate of interest will be changed in ways that may be adverse to holders of Notes, without any requirement that the consent of the holders of such Notes be obtained

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates and any page on which such benchmark may be published) becomes unavailable. Where the Rate of Interest is to be determined by reference to the 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), 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 Fixed Rate Reset Notes, the application of the Reset Rate for a preceding Reset Period or, in the case of Fixed Rate Reset Notes or Fixed-to-Floating Rate Notes, the application of the initial Rate of Interest applicable to such Notes on the Interest Commencement Date. 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.

If a Benchmark Event (as defined in Condition 4(d)) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. After consulting with the Independent Adviser, the Issuer shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Issuer, 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 Issuer, the Terms and Conditions of the Notes also provide that an Adjustment Spread will be determined by the Issuer and applied to such Successor Rate or Alternative Rate. The application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate

were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest.

The Issuer may be unable to appoint an Independent Adviser or 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 is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, 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 determined using the Original Reference Rate last displayed on the Relevant Screen Page prior to the relevant Interest Determination Date. This may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Where the Issuer has been unable to appoint an Independent Adviser or, has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

If the Issuer is unable to appoint an Independent Adviser or fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, Floating Rate Notes, in effect, will become Fixed Rate Notes. In addition, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Notes as Tier 2 Capital and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations.

Where ISDA Determination is specified as the manner in which the Rate of Interest is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may adversely affect the value of, and return on, the 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 the Sterling Overnight Index Average (“SONIA”) as a reference rate in the capital markets. In particular, market participants and relevant working groups are exploring 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 as applicable to Notes referencing a SONIA rate that are issued under this Prospectus. Furthermore, the Issuer may in the future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued by it under the Programme. The continued development of SONIA (including SONIA Compounded Index Rate and SONIA Compounded Daily Reference Rate (each as defined in the Terms and Conditions)) 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 SONIA as a reference rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference SONIA as a reference rate 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, in contrast to LIBOR-based Notes, if Notes referencing SONIA as a reference rate become due and payable as a result of an event of default under Condition 10 or Condition 11 (as applicable), 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 SONIA as a reference rate.

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

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

The 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 conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14.

Limitation on gross-up obligation under the Subordinated Notes and certain 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 (i) each Series of Subordinated Notes and (ii) any Series of Senior Non-Preferred Notes for which the applicable Final Terms specifies "*Senior Non-Preferred Notes: Gross-up of principal*" as "Not Applicable", applies only to payments of interest due and paid under such Notes and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of any Series of Subordinated Notes or any such Series of 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 Series of Subordinated Notes or any such Series of Senior Non-Preferred Notes, holders of such Notes would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld.

Therefore, holders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

The use of proceeds of the Notes may not meet investor expectations or requirements

The Issuer may issue Notes as Social Bonds (as indicated in the applicable Final Terms) and in the case of such Notes, an amount equal to the net proceeds from the issue of any Tranche of Notes will be allocated to Eligible Social Projects (as defined in “*Use of Proceeds*”) (the “**Social Bonds**”). Prospective investors should have regard to the information set out in “*Use of Proceeds*” and the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes, together with any other investigation such investor deems necessary.

In particular, no assurance is given by the Issuer, the Arranger or any Dealer that the use of such proceeds for any Eligible Social Project will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social impact of any projects or uses, the subject of or related to, any Eligible Social Project. None of the Arranger or the Dealers shall be responsible for (i) any assessment of the Eligible Social Project, (ii) any verification of whether any Eligible Social Project falls within an investor’s requirements or expectations of a “social” or equivalently-labelled project or (iii) the allocation of the proceeds by the Issuer to a particular Eligible Social Project or the ongoing monitoring of the use of proceeds in respect of any such Notes.

Furthermore, it should be noted that there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “social” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “social” or such other equivalent label and if developed in the future, such Notes may not comply with any such definition or label (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called EU Taxonomy) or Regulation (EU) 2020/852 as it forms part of domestic law by virtue of the EUWA).

Additionally, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Social Project will meet any or all investor expectations regarding such “social” or other equivalently-labelled performance objectives or that any adverse social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Social Project.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Social Project to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Arranger, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated “social” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Arranger, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether

by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social impact of any projects or uses, the subject of or related to, any Eligible Social Project. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representations or assurances are given or made by the Issuer, the Arranger, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Amounts of interest, principal or other amounts payable in relation to any Social Bonds will not be impacted by the performance of any Eligible Social Project funded out of the proceeds of the issue (or amounts equal thereto) of such Social Bonds or by any other Eligible Social Projects or other social assets of the Group.

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

While it is the intention of the Issuer to apply an amount equal to the net proceeds of any Notes so specified to Eligible Social Projects in, or substantially in, the manner described in "Use of Proceeds" and the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Social Project will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Social Project. Nor can there be any assurance that such Eligible Social Project will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not (i) give rise to any claim of a Noteholder against the Issuer, the Arranger or any Dealer; (ii) constitute an Event of Default under the Notes or permit the Trustee or any Noteholder to accelerate the Notes or take any other enforcement action against the Issuer; (iii) lead to an obligation of the Issuer to redeem such Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes; (iv) affect the qualification of such Notes which are also Subordinated Notes or Senior Non-Preferred Notes (as the case may be) as Tier 2 Capital or as eligible liabilities (as applicable); (v) otherwise affect or impede the ability of the Group to apply the proceeds of the Notes to cover losses in any part of the Group; or (vi) result in any step-up or increased payments of interest, principal or any other amounts in respect of the Notes, or otherwise affect the terms and conditions of the Notes.

Any such event or failure to apply an amount equal to the net proceeds of any issue of Notes for any Eligible Social Project as aforesaid and/or withdrawal of any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may (i) have a material adverse effect on the value of such Notes and also potentially the value of any other Notes, the proceeds of which are intended to be allocated to an Eligible Social Project and/or (ii) result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Social Bonds which are also Subordinated Notes or Senior Non-Preferred Notes will be available to absorb losses of the Issuer or the Group

The proceeds of the issue of Social Bonds which are also Subordinated Notes or Senior Non-Preferred Notes will be available to absorb losses of the Issuer or the Group to the same degree and in the same manner as Subordinated Notes or Senior Non-Preferred Notes which are not Social Bonds. Notes issued as Social Bonds will be subject to bail-in and resolution measures available under the Banking Act 2009 in the same way as any other Notes issued under the Programme. Further, investors should note that where Social Bonds qualify for inclusion in the owns funds and eligible liabilities of the Issuer and/or the Group, the prudential and resolution rules will apply to those Social Bonds in the same way as they apply to other Notes issued under the Programme. Social Bonds intended to form part of the MREL of the Issuer and/or the Group will not be issued with any features which undermine their ability to absorb losses in compliance with the prevailing prudential and resolution rules, and neither the Social Bonds nor the proceeds of issue thereof will be afforded any special treatment or enhanced protections as a result of them being Social Bonds. Subordinated Notes and Senior Non-Preferred Notes will continue to be subject to lower priority ranking than other debts of the Issuer, and the other risks applicable to Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes are as described elsewhere in these Risk Factors – including with respect to loss absorption as a result of bail-in or write down shall apply to such Notes irrespective of whether or not they are Social Bonds.

The proceeds of the issue of Social Bonds that qualify as MREL of the Issuer and/or the Group will be available to cover all losses of the Issuer and/or the Group, regardless of whether such Notes are Social Bonds and regardless of whether the losses stem from the loans advanced by the Issuer out of the proceeds of issue of such Social Bonds or under any other social assets of the Group.

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 deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*”, “*The Senior Non-Preferred Notes and the Subordinated Notes rank junior to most of the Issuer's liabilities*” and “*The use of proceeds of the Notes may not meet investor expectations or requirements*” above.

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

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

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

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

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

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets. If a Tranche of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such 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.

If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

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

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

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

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

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the 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, suspended or withdrawn by the rating agency at any time. Further, one or more credit rating agencies may from time to time release unsolicited credit ratings reports in relation to the Notes without the consent or knowledge of the Issuer. The Issuer does not have any control over such reports or analyses and any adverse credit rating of the Notes could adversely affect the value of the Notes.

As at the date of this Prospectus, the Issuer has (i) a senior preferred debt rating of A3 by Moody's and A by Fitch, (ii) a senior non-preferred debt rating of Baa2 by Moody's and A- by Fitch and (iii) a subordinated debt

rating of Baa2 by Moody's and BBB by Fitch. Each of Moody's and Fitch is established in the UK and is registered under the UK CRA Regulation. Moody's and Fitch are each included in the list of rating agencies published by the FCA on its website (<https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>) in accordance with the UK CRA Regulation. Moody's Deutschland GmbH currently endorses ratings issued by Moody's and Fitch Ratings Ireland Limited currently endorses ratings issued by Fitch for regulatory purposes in the EU in accordance with the EU CRA Regulation. Moody's Deutschland GmbH is established in Germany and Fitch Ratings Ireland Limited is established in Ireland and each has been registered under the EU CRA Regulation and is included in the list of rating agencies published by the ESMA on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. There can be no assurance that Moody's Deutschland GmbH and Fitch Ratings Ireland Limited will continue to endorse ratings issued by Moody's and Fitch, respectively.

In general, EEA regulated investors are restricted under the EU CRA Regulation from using ratings for regulatory purposes, unless such ratings are issued by a rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of ratings issued by non-EEA rating agencies, unless the relevant ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU 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.

Similarly, UK regulated investors are restricted under the UK CRA Regulation from using ratings for regulatory purposes, unless such ratings are issued by a rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of ratings issued by non-UK rating agencies, unless the relevant ratings are endorsed by a UK-registered rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the FCA on its website in accordance with the UK 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 FCA list.

If the status of the rating agency changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, EEA and/or UK 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.

DOCUMENTS INCORPORATED BY REFERENCE

The Independent Auditor's Report and the section titled "*Financial Information*" (which includes the Independent Auditor's Report and audited consolidated annual accounts of the Issuer and its subsidiaries for the year ended 31 December 2021) as set out on pages 140 to 240 of the Issuer's Annual Report and Accounts 2021 and the Independent Auditors' Report and the section titled "*Financial Statements*" (which includes the Independent Auditors' report and audited consolidated annual accounts of the Issuer and its subsidiaries for the year ended 31 December 2022) as set out on pages 130 to 226 of the Issuer's Annual Report and Accounts 2022, which have previously been published or are published simultaneously with this Prospectus and have been filed with the FCA, shall be incorporated in and form part of this Prospectus.

The Terms and Conditions of the Notes contained in the previous Prospectuses dated 12 October 1998 (pages 18 to 36 (inclusive)), 18 December 2015 (pages 34 to 59 (inclusive)), 28 June 2017 (pages 38 to 63 (inclusive)), 18 December 2018 (pages 54 to 99 (inclusive)) 7 August 2020 (pages 47 to 95 (inclusive)), 28 May 2021 (pages 52 to 101 (inclusive)) and 1 April 2022 (pages 54 to 103 (inclusive)) prepared by the Issuer in connection with the Programme shall be incorporated in and form part of this Prospectus.

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.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ and from the specified offices of the Paying Agents for the time being in London and Luxembourg. In addition, copies of the documents will be available at the website of the Issuer at www.ybs.co.uk/your-society/financial-results/index.html and www.ybs.co.uk/your-society/treasury/index.html#funding-programmes and at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Prospectus which may affect the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note without interest coupons or talons, which will:

- (i) if the Global Notes are intended to be issued in new Global Note (“NGN”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg.

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

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section “*Form of the Notes*” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits except in relation to Notes issued in NGN form, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

On and after the date (the “**Exchange Date**”) which is 40 days after the date on which the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable either for interests in a Permanent Global Note without interest coupons or talons or for definitive Notes (as indicated in the applicable Final Terms) in each case against certification as to non-U.S. beneficial ownership as described in the second sentence of the preceding paragraph required by U.S. Treasury Regulations in accordance with the terms of the Temporary Global Note unless certification has already been given pursuant to the second sentence of the preceding paragraph. The holder of a Temporary Global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and an ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for definitive Notes should not be expressed to be applicable in the applicable Final Terms if the Notes are issued

with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. A Permanent Global Note will be exchangeable, in whole but not in part, for security printed definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means (i) in the case of Senior Preferred Notes and Unrestricted Default Senior Non-Preferred Notes, an Event of Default has occurred and is continuing or, in the case of Restricted Default Senior Non-Preferred Notes and Subordinated Notes, a payment default in accordance with Condition 11 has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 9 which would not be required were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 18 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Agent. Temporary and Permanent Global Notes and definitive Notes will be authenticated (if applicable) and delivered by the Agent on behalf of the Issuer.

The following legend will appear on all Notes (other than Temporary Global Notes), interest coupons and talons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition or payment of principal in respect of Notes or interest coupons.

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

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

FORM OF FINAL TERMS

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

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECPS) ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, 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. 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.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (“**MiFID II**”)] [MiFID II]; or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 (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 [European Union (Withdrawal) Act 2018 (the “**EUWA**”)] [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, where that customer

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

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**”)] [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

[In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), 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 Recommendations on Investment Products).]³

[Date]

Yorkshire Building Society

Legal entity identifier (LEI): WXD0EHQRPI7HKN3I5T57

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £5,000,000,000 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 31 March 2023 (the “**Prospectus**”) [and the supplement[s] dated [date/s/] to the Prospectus], 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. This document must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. Copies of the Prospectus [and the supplement[s] to the Prospectus] are available for viewing at the office of the Issuer at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ and copies may be obtained from the Principal Paying Agent at 8 Canada Square, London E14 5HQ. The Prospectus has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date], which are incorporated by reference in the Prospectus dated 31 March 2023 (the “**Prospectus**”). This document constitutes the Final Terms of the Notes 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 [and the supplement[s] dated [date/s/] to the Prospectus] which constitutes a base prospectus for the purposes of the Prospectus Regulation, including the Conditions incorporated by reference in the Prospectus in order to obtain all the relevant information. Copies

² Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

³ For 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.

of such Prospectuses are available for viewing at the office of the Issuer at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ and copies may be obtained from the Principal Paying Agent at 8 Canada Square, London E14 5HQ. The Prospectus has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

TYPE OF NOTE

| | | |
|---|---|--|
| 1 | Status of the Notes: | [Senior Preferred / Senior Non-Preferred / Subordinated] |
| | (i) [Senior Non-Preferred Notes: Restricted Events of Default: | [Applicable / Not Applicable] |
| | (ii) [Senior Non-Preferred Notes: Gross-up of principal: | [Applicable / Not Applicable] |

DESCRIPTION OF THE NOTES

| | | |
|---|--|---|
| 2 | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [•] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [•]][Not Applicable] |
| 3 | Specified Currency or Currencies: | [•] |
| 4 | Aggregate Nominal Amount: | |
| | — Series: | [•] |
| | — Tranche: | [•] |
| 5 | Issue Price of Tranche: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]] |
| 6 | (i) Specified Denominations: | [•] |
| | (ii) Calculation Amount: | [•] |
| 7 | (i) Issue Date: | [•] |
| | (ii) Interest Commencement Date: | [[•]/Issue Date/Not Applicable] |
| 8 | Maturity Date: | [•][Interest Payment Date falling in or nearest to [•]] |
| 9 | Interest Basis: | [[•] per cent. Fixed Rate] [[•] per cent. to be reset on [•] [[and [•]] and every [•] anniversary thereafter Fixed Rate Reset]] [[SONIA]/[EURIBOR]] [[+/-] [•] per cent.] Floating Rate] [Zero Coupon] |

- | | | |
|----|---|---|
| 10 | Redemption/Payment Basis: | Subject to any purchase or cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount |
| 11 | Change of Interest Basis: | [●][Not Applicable] |
| 12 | Put/Call Options: | [Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable] |
| 13 | Date Committee approval for issuance of Notes obtained: | [●] |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|----|--|--|
| 14 | 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 up to and including the Maturity Date]/[●] |
| | (iii) Fixed Coupon Amount(s): <i>(Applicable to Notes in definitive form)</i> | [●] per Calculation Amount |
| | (iv) Broken Amount(s): <i>(Applicable to Notes in definitive form)</i> | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] |
| | (v) Day Count Fraction: | [Actual/Actual (ICMA) or 30/360] |
| | (vi) [Determination Date(s): | [[●] in each year][Not Applicable]] |
| 15 | Floating Rate Note Provisions | [Applicable/Not Applicable] |
| | (i) Specified Period(s)/Specified Interest Payment Dates: | [●], subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable] |
| | (ii) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] |
| | (iii) Additional Business Centre(s): | [[●]/Not Applicable] |
| | (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): | [●] |
| | (vi) Screen Rate Determination | [Applicable/Not Applicable] |
| | — Reference Rate: | [[[●]]-month] [●]/[EURIBOR] |

| | |
|-----------------------------------|--|
| | [SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate with [Observation Shift/Lag] where “p” is [specify number] London Business Days] |
| | <i>(The number of London Business Days for the purposes of the definition of “Observation Period” should be no less than five London Business Days)</i> |
| — Interest Determination Date(s): | [The date which is [“p”] London Business Days prior to each Interest Payment Date] / [2 London Business Days][[●]/T2] Business Days prior to the first day in each Interest Period / [●] |
| — Relevant Screen Page: | [[Bloomberg Screen Page: SONCINDX] / see pages of authorised distributors for SONIA Compounded Index Rate] or [Bloomberg Screen Page: SONIO/N Index] / SONIA Compounded Daily Reference Rate as applicable] [●] |
| — Relevant Fallback Screen Page: | [[Bloomberg Screen Page: SONIO/N Index] / see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable] [●] |
| — Specified Time: | [11.00 a.m. / [●]] |
| — Relevant Financial Centre: | [Brussels/[●]] |
| (vii) ISDA Determination: | [Applicable/Not Applicable] |
| — Floating Rate Option: | [●] |
| — Designated Maturity: | [●] |
| — Reset Date: | [●] |
| (viii) Linear Interpolation | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] |
| (ix) Margin(s): | [Not Applicable] / [[+/-][●] per cent. per annum[in respect of Interest Accrual Period from and including [the Interest Commencement Date] to but excluding [●] [, [[+/-][●] per cent. per annum from and including [●] to but excluding [●] and [[+/-][●] per cent. per annum from and including [●] to but excluding [●]] |
| (x) Minimum Rate of Interest: | [●] per cent. per annum |
| (xi) Maximum Rate of Interest: | [●] per cent. per annum |
| (xii) Day Count Fraction: | [Actual/Actual (ISDA)][Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] |

| | | |
|----|--|--|
| | | [30E/360][Eurobond Basis] [30E/360 (ISDA)] |
| 16 | Reset Note Provisions | [Applicable/Not Applicable] |
| | (i) Initial Rate of Interest: | [●] per cent. per annum payable in arrear on each Interest Payment Date] |
| | (ii) First Margin: | [+/-][●] per cent. per annum |
| | (iii) Subsequent Margin: | [[+/-][●] per cent. per annum] [Not Applicable] |
| | (iv) Interest Payment Date(s): | [[●] [and [●]] in each year up to and including the Maturity Date |
| | (v) Fixed Coupon Amount to (but excluding) the First Reset Date: | [●] per Calculation Amount |
| | (vi) Broken Amount(s): | [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable] |
| | (vii) Reset Reference Rate: | [Mid-Swaps/Reference Bond] |
| | (viii) First Reset Date: | [●] |
| | (ix) Second Reset Date: | [●]/[Not Applicable] |
| | (x) Subsequent Reset Date(s): | [●] [and [●]] [Not Applicable] |
| | (xi) Relevant Screen Page: | [●] |
| | (xii) Mid-Swap Rate: | [Single Mid-Swap Rate/Mean Mid-Swap Rate] |
| | (xiii) Mid-Swap Floating Leg Benchmark: | [EURIBOR/SONIA/[●]] |
| | (xiv) Mid-Swap Maturity: | [●] |
| | (xv) Reference Bond Reset Rate Time: | [●] |
| | (xvi) Reference Bond Price in respect of the first Reset Determination Date: | [●] |
| | (xvii) Fixed Leg Swap Duration: | [●] |
| | (xviii) Day Count Fraction: | [30/360] [Actual/Actual (ICMA)] |
| | (xix) Reset Determination Date(s): | [[●] in each year][Not Applicable] |
| | (xx) Business Centre(s): | [●] |
| | (xxi) Calculation Agent: | [●] |
| 17 | Zero Coupon Note Provisions | [Applicable/Not Applicable] |
| | (i) Accrual Yield: | [●] per cent. per annum |
| | (ii) Reference Price: | [●] |
| | (iii) Day Count Fraction in relation to Early Redemption Amounts: | [30/360] [Actual/360] [Actual/365] |

PROVISIONS RELATING TO REDEMPTION

18 Notice periods for:

| | | |
|----|--|---|
| | (i) Condition 5(b) | Minimum period: [●] Maximum period: [●] |
| | (ii) Condition 5(e) | [Minimum period: [●] Maximum period: [●]][Not Applicable] |
| 19 | Issuer Call: | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): | [[●] per Calculation Amount] |
| | (iii) If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [●] |
| | (b) Maximum Redemption Amount: | [●] |
| | (iv) Notice periods: | Minimum period: [●] Maximum period: [●] |
| 20 | Regulatory Event (Subordinated Notes only): | [Full Exclusion/Full or Partial Exclusion] |
| 21 | (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) Senior Non-Preferred Notes: Substitution and Variation: | [Applicable / Not Applicable] |
| 22 | Investor Put: | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount: | [●] per Calculation Amount |
| | (iii) Notice periods: | Minimum period: [●] Maximum period: [●] |
| 23 | Final Redemption Amount of each Note: | [●] per Calculation Amount |
| 24 | Early Redemption Amount payable on redemption for taxation reasons, (in the case of Subordinated Notes or Senior Non-Preferred Notes) for regulatory reasons or on event of default: | [●] per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

| | | |
|----|----------------|---|
| 25 | Form of Notes: | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event [including/excluding] the exchange event described in paragraph (c) of the definition in the Permanent Global Note.] |
|----|----------------|---|

| | | |
|----|---|--|
| | | [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date.] |
| 26 | New Global Note (NGN): | [Yes][No] |
| 27 | Social Bonds: | [Yes][No] |
| 28 | Additional Financial Centre(s): | [Not Applicable/[●]] |
| 29 | Talons for future Coupons to be attached to Definitive Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |

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 [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading./[Not Applicable]]

Signed on behalf of Yorkshire Building Society:

By
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

Listing and Admission to trading:

Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Main Market and listing on the Official List of the FCA with effect from [●].

Estimate of total expenses related to admission to trading:

[●]

2 RATINGS

Ratings:

The Notes to be issued [[have been]/[are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[Fitch: [●]]

[Moody's: [●]]

(Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

(Include details of whether rating is given by a credit rating agency established in the UK and registered under the UK CRA Regulation or whether it is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation.)

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business/[Not Applicable]]

4 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

Reasons for the offer:

[●]

[See ["Use of Proceeds" in Prospectus][give details]]

(If reasons for offer different from what is disclosed in the Prospectus, give details here)

Estimated net proceeds:

[●]

5 YIELD *(Fixed Rate Notes Only)*

Indication of Yield:

[●]

6 HISTORIC INTEREST RATES *(Floating Rate Notes Only)*

Details of historic [EURIBOR/SONIA] rates can be obtained from [Reuters].

7 **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/[●]]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [●]
- (vi) 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 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. 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.]

8 **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/[●]]
- (iii) Date of Syndication Agreement: [●]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/[●]]
- (v) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA not applicable]
- (vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Temporary Global Note and Permanent Global Note and which will be endorsed upon (or incorporated by reference into) each definitive Note. The Terms and Conditions shall be incorporated by reference into definitive Notes unless the relevant stock exchange or other relevant authority requires otherwise. The applicable Final Terms will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note and definitive Note. Reference should be made to “Form of the Final Terms” above for the form of Final Terms which will include the definition of certain terms used in the following Terms and Conditions.

This Note is one of a Series of notes (the notes of such Series being hereinafter called the “**Notes**”, which expression shall mean (i) in relation to Notes represented by a global note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a Global Note and (iii) any Global Note) constituted by a Trust Deed (such Trust Deed as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 28 July 1993 made between Yorkshire Building Society (the “**Issuer**”) and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include any successor as trustee).

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

Payments in respect of the Notes will be made under an Amended and Restated Agency Agreement (such Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 18 December 2018 made between the Issuer, HSBC Bank plc as issuing agent, principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor as agent), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and the Trustee.

The final terms for this Note are set out in Part A of the Final Terms attached hereto or endorsed hereon which supplements these Terms and Conditions (the “**Conditions**”). References herein to “**applicable Final Terms**” are to Part A of the Final Terms attached hereto or endorsed hereon.

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

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and forming a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office of the Trustee (being at 1 April 2022 at Eighth Floor, 100 Bishopsgate, London EC2N 4AG) and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms may be obtained from the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms, which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final

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

1 Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the “**Specified Currency**”) and the denominations (the “**Specified Denomination(s)**”) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

The Note may be a Senior Preferred Note, a Senior Non-Preferred Note or a Subordinated Note, as indicated in the applicable Final Terms.

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

Without prejudice to the provisions relating to Global Notes set out below, title to the Notes and the Coupons will pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law the Issuer, the Trustee, the Agent and any other Paying Agent shall be entitled to (subject as set out below) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice to the contrary or any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of making payment thereon and for all other purposes.

For so long as any of the Notes is represented by a Global Note held by or on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (including any form of statement or printout of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream Luxembourg’s Creation Online system) in accordance with its usual procedures and in which the holder of a particular nominal amount of Notes is clearly identified together with the amount of such holding) as evidence as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the Global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions “**Noteholder**”, “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

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

2 Status, Ranking and Subordination

(a) *Status of Senior Preferred Notes*

The Senior Preferred Notes and the relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject to the provisions of Condition 3) constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Senior Preferred Note or any beneficial interest therein, each holder of a Senior Preferred Note and related Couponholder acknowledge and agree that (subject to the provisions of Condition 3) the Senior Preferred Notes and any relative Coupons rank *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations (other than Senior Non-Preferred Notes and other obligations which rank or are expressed to rank junior to the Senior Preferred Notes) of the Issuer in respect of deposits and loans (except as provided by law), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case such claims will (subject to the provisions of Condition 3) rank as the Ranking Legislation provides for ordinary non-preferential debt generally.

(b) *Status and Ranking of Senior Non-Preferred Notes*

(i) *Status and Ranking*

The Senior Non-Preferred Notes and any relative Coupons are direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any relative Coupons rank junior to the Senior Preferred Notes and any relative Coupons. The Senior Non-Preferred Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Senior Non-Preferred Note or any beneficial interest therein, each holder of a Senior Non-Preferred Note and related Couponholder acknowledge and agree that the claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Senior Non-Preferred Notes and any relative Coupons will, in the event of the winding up or dissolution of the Issuer (other than an Excluded Dissolution), rank:

- (A) junior in right of payment in the manner provided in the Trust Deed to all Senior Claims;
- (B) *pari passu* with all other Senior Non-Preferred Claims; and
- (C) in priority to all Subordinated Claims,

save only where the Ranking Legislation provides otherwise for secondary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation provides for secondary non-preferential debt generally (whether or not the Senior Non-Preferred Notes and any relative Coupons then constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

(ii) *No Set-off*

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Non-Preferred Notes or any relative Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any Senior Non-Preferred

Notes or any relative Coupon (as the case may be) be deemed to have waived all such rights of set-off, compensation or retention.

Notwithstanding the provisions of the foregoing sentence, if any amounts owed to a Noteholder or Couponholder by the Issuer arising under or in connection with any Senior Non-Preferred Notes or any relative Coupon 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.

(c) Status and Subordination of Subordinated Notes

(i) Status and Subordination

The Subordinated Notes and any relative Coupons are direct and unsecured obligations of the Issuer and constitute tertiary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Subordinated Notes and any relative Coupons rank junior to the Senior Non-Preferred Notes and any relative Coupons. The Subordinated Notes and any relative Coupons rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Subordinated Note or any beneficial interest therein, each holder of a Subordinated Note and related Couponholder acknowledge and agree that the claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Subordinated Notes (and any relative Coupons) will, in the event of the winding up or dissolution of the Issuer (other than an Excluded Dissolution):

- (A) be subordinated in right of payment in the manner provided in the Trust Deed to (I) all Senior Claims and (II) all Senior Non-Preferred Claims and (III) all Subordinated Claims (if any) which rank, or are expressed to rank, in priority to claims in respect of the Subordinated Notes;
- (B) rank at least *pari passu* with claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital; and
- (C) rank in priority to claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Additional Tier 1 Capital (including, without limitation, the Issuer's permanent interest bearing shares (if any)) or CET1 Capital (including the Issuer's core capital deferred shares (if any)) and in priority to any other claims ranking, or expressed to rank, junior in right of payment to the Subordinated Notes,

save only where the Ranking Legislation provides otherwise for tertiary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation provides for tertiary non-preferential debt generally (whether or not the Subordinated Notes and any relative Coupons then constitute tertiary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

(ii) *No Set-off*

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes or any relative Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any Subordinated Note or any relative Coupon (as the case may be) be deemed to have waived all such rights of set-off, compensation or retention.

Notwithstanding the provisions of the foregoing sentence, if any amounts owed to a Noteholder or Couponholder by the Issuer arising under or in connection with any Subordinated Notes or any relative Coupon 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.

(d) ***Certain Definitions***

As used in these Conditions:

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

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

“**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 of the Noteholders, and (ii) a dissolution of the Issuer by virtue of the amalgamation and transfer provisions set out in sections 93, 94 and 97 of the Act, or by virtue of a transfer pursuant to an order made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, as amended (or any successor provisions thereto);

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

“**Ranking Legislation**” means the Order and any law or regulation applicable to the Issuer which is amended by the Order;

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

“**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 and other creditors of the Issuer (including persons who become holders of deposits pursuant to Section 100 of the Act if the Issuer transfers its business to a successor pursuant to Section 97 of the Act), but not including creditors (if any) whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of Senior Non-Preferred Notes and the related Couponholders (whether only in the event of a winding up of the Issuer or otherwise);
- (ii) (only in respect of a winding up while the Issuer remains a building society) claims of all members holding shares in the Issuer as regards the principal of their shares in the Issuer and any interest due in respect of those shares (other than members holding Deferred Shares whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of Senior Non-Preferred Notes and the related Couponholders (whether only in the event of a winding up of the Issuer or otherwise)); or
- (iii) claims of creditors in respect of unsubordinated obligations (including, without limitation, Senior Preferred Notes and other ordinary non-preferential debt under the Order) of the Issuer (excluding Senior Non-Preferred Claims);

“**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 obligations (including, without limitation, Senior Non-Preferred Notes and any other secondary non-preferential debt under the Order) which rank or are expressed to rank junior to (or have or are expressed to have a lower priority ranking compared to) claims in respect of the Senior Preferred Notes and all other Senior Claims of the Issuer, other than Subordinated Claims;

“**Subordinated Claims**” means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which rank, or are expressed to rank, junior to claims in respect of the Senior Non-Preferred Notes or other Senior Non-Preferred Claims, including (without limitation) claims of creditors in respect of the Subordinated Notes, and 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 (including, without limitation, the Issuer’s permanent interest bearing shares (if any)) or CET1 Capital (including the Issuer’s core capital deferred shares (if any)); and

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

3 Negative Pledge

This Condition 3 does not apply to Senior Non-Preferred Notes or Subordinated Notes.

As long as any of the Senior Preferred Notes remains outstanding (as defined in the Trust Deed) the Issuer will not create or have outstanding any mortgage, lien (other than arising by operation of law), pledge, charge or other security interest (other than a Permitted Security Interest (as defined herein)) upon, or with respect to, any of its present or future assets or revenues to secure any Loan Stock (as defined herein) or any guarantee of any Loan Stock, unless in any such case the Issuer shall simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable by it under the Senior Preferred Notes or, as the case may be, the related Coupons and the Trust Deed are secured equally and rateably with the Loan Stock or guarantee secured by such security interest to the satisfaction of the Trustee or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of

the holders of the Senior Preferred Notes or as shall be approved by an Extraordinary Resolution of the holders of the Senior Preferred Notes.

“**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 any indebtedness (as defined in the Trust Deed) in the form of, or represented by, notes, bonds, debentures or other securities which are or are intended by the Issuer to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other recognised securities market (whether or not initially distributed by way of private placing), but excluding any such indebtedness which has a stated maturity not exceeding one year; and

“**Permitted Security Interest**” means 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 of the following (or are otherwise qualifying collateral for issues of covered bonds pursuant to any relevant contractual arrangements and/or specific provisions of the laws of England and Wales relating to covered bonds):

- (a) mortgage receivables;
- (b) receivables against Government Entities (as defined herein);
- (c) asset-backed securities backed by any of the assets under paragraph (a) or (b) above; or
- (d) any other assets permitted by English law 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 applicable at the time of creation of such security interest.

Any reference in these Conditions to a guarantee shall be deemed to include a reference to an indemnity.

4 Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

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

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

In these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (in these Conditions, “**Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (I) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B), the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred;
- (II) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (III) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day;

- (IV) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than T2) specified in the applicable Final Terms;
- (2) if T2 is specified as an Additional Business Centre in the applicable Final Terms, a day on which the real time gross settlement system operated by the Eurosystem or any successor system (“**T2**”) is open for the settlement of payments in euro; and
- (3) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to Notes denominated or payable in euro, a day on which T2 is open for the settlement of payments in euro.

(ii) *Rate of Interest*

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

(iii) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 4(b)(iii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”)) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purpose of this Condition 4(b)(iii), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

If no Minimum Rate of Interest is specified in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

When this Condition 4(b)(iii) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(vii) in respect of the

determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this Condition 4(b)(iii).

(iv) *Screen Rate Determination for Floating Rate Notes not referencing SONIA*

(A) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being “SONIA Compounded Index Rate” or “SONIA Compounded Daily Reference Rate”, the Rate of Interest for each Interest Period will, subject to Condition 4(d) and as provided below, be either:

(I) the offered quotation (if there is only one quotation on the Relevant Screen Page);
or

(II) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Brussels time, in the case of EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 4(b)(iv) to “**Agent**” shall be construed accordingly). If five or more 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available or if Condition 4(b)(iv)(A)(I) applies and no such offered quotation appears on the Relevant Screen Page or if Condition 4(b)(iv)(A)(II) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, the Agent shall, if applicable, request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate as at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the Interest Determination Date (or, if such date is not a Business Day, on the immediately preceding Business Day) in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations (excluding, if four or more of the Reference Banks provide the Agent with such quotations and the offered quotations of all such Reference Banks are not the same, the highest and lowest quotations and, if the highest quotation and/or the lowest quotation applies in respect of more than one such Reference Bank, excluding such highest and/or lowest quotation in respect of one such Reference Bank) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent.

- (C) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such an offered quotation as provided in Condition 4(b)(iv)(B), the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being either:
- (I) the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, which such banks were offered, at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date (or, if such date is not a Business Day, on the immediately preceding Business Day), deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any); or
 - (II) in the event that the Agent can determine no such arithmetic mean, the lowest lending rate for lending amounts in the Specified Currency for a period equal to that which would have been used for the Reference Rate at which at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date (or, if such date is not a Business Day, on the immediately preceding Business Day), any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any),

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

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

Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period).

“**Reference Banks**” means, in the context of Condition 4(b)(iv)(A)(I), those banks whose offered rates were used to determine the offered quotation referred to in such Condition when such offered quotation last appeared on the Relevant Screen Page and, in the context of Condition 4(b)(iv)(A)(II), those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(v) *Screen Rate Determination for Floating Rate Notes referencing SONIA*

(A) *SONIA Compounded Index Rate*

Where (i) Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and (ii) the Reference Rate is specified in the applicable Final Terms as being “SONIA Compounded Index Rate”, the Rate of Interest for an Interest Accrual Period will, subject as provided in Condition 4(d), be SONIA Compounded Index Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin, all as determined by the Agent or such other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 4(b)(v) to “**Agent**” shall be construed accordingly).

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

$$\left(\frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1 \right) \times \left(\frac{365}{d} \right)$$

provided, however, that and subject to Condition 4(d), if the SONIA Compounded Index Value is not available on the relevant Interest Determination Date 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 Compounded Index or of authorised distributors, as the case may be) in relation to any Interest Accrual Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index_{START} and SONIA Compounded Index_{END}, the Rate of Interest shall be calculated for such Interest Accrual Period on the basis of the SONIA Compounded Daily Reference Rate as set out in Condition 4(b)(v)(B) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified in the applicable Final Terms as being applicable and the Relevant Screen Page shall be deemed to be the Relevant Fallback Screen Page as specified in the applicable Final Terms,

where:

(1) “*d*” means the number of calendar days in the relevant Observation Period;

- (2) **“London Business Day”** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;
 - (3) **“Observation Period”** means, in respect of an Interest Accrual Period, the period from (and including) the date falling “*p*” London Business Days prior to the first day of such Interest Accrual Period (and the first Observation Period shall begin on and include the date which is “*p*” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “*p*” London Business Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling “*p*” London Business Days prior to such earlier date, if any, on which the Notes become due and payable);
 - (4) “*p*” means, for any Interest Accrual Period, the whole number specified in the applicable Final Terms (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;
 - (5) **“SONIA Compounded Index”** means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);
 - (6) **“SONIA Compounded Index Value”** means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day, provided however, that in the event that the value originally published is subsequently corrected and such corrected value is published by authorised distributors or the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SONIA Compounded Index Value in relation to such London Business Day;
 - (7) **“SONIA Compounded Index_{END}”** means the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) in respect of an Interest Accrual Period, the Interest Payment Date for such Interest Accrual Period or (ii) if the Notes become due and payable prior to the end of an Interest Accrual Period, the date on which the Notes become so due and payable; and
 - (8) **“SONIA Compounded Index_{START}”** means, in respect of an Interest Accrual Period, the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) the first day of such Interest Accrual Period or (ii) in the case of the first Interest Accrual Period, the Issue Date.
- (B) *SONIA Compounded Daily Reference Rate*

Where (i) Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and (ii) the Reference Rate is specified in the applicable Final Terms as being “SONIA Compounded Daily Reference

Rate”, the Rate of Interest for an Interest Accrual Period will, subject as provided in Condition 4(d), be SONIA Compounded Daily Reference Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin, all as determined by the Agent.

“**SONIA Compounded Daily Reference 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) and will be calculated by the Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards:

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

where:

“**London Business Day**”, “**Observation Period**” and “**p**” have the respective meanings set out in Condition 4(b)(v)(A);

- (1) “**d**” means the number of calendar days in:
 - (a) where “Lag” is specified in the applicable Final Terms, the relevant Interest Accrual Period; or
 - (b) where “Observation Shift” is specified in the applicable Final Terms, the relevant Observation Period;
- (2) “**d_o**” means:
 - (a) where “Lag” is specified in the applicable Final Terms, the number of London Business Days in the relevant Interest Accrual Period; or
 - (b) where “Observation Shift” is specified in the applicable Final Terms, the number of London Business Days in the relevant Observation Period;
- (3) “**i**” means a series of whole numbers from one to d_o, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in:
 - (a) where “Lag” is specified in the applicable Final Terms, the relevant Interest Accrual Period to, but excluding, the last London Business Day in the relevant Interest Accrual Period; or
 - (b) where “Observation Shift” is specified in the applicable Final Terms, the relevant Observation Period to, but excluding, the last London Business Day in the relevant Observation Period;
- (4) “**n_i**”, for any London Business Day “**i**”, means the number of calendar days from and including such London Business Day “**i**” up to but excluding the following London Business Day;
- (5) “**SONIA_i**” means in respect of any London Business Day “**i**”, the SONIA reference rate for:

- (a) where “Lag” is specified in the applicable Final Terms, the London Business Day falling “*p*” London Business Days prior to such London Business Day “*i*”; or
 - (b) where “Observation Shift” is specified in the applicable Final Terms, the relevant London Business Day “*i*”; and
- (6) the “**SONIA reference rate**”, in respect of any London Business Day, means a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate).
- (C) Subject to Condition 4(d), where either (i) the SONIA Compounded Daily Reference Rate is specified in the applicable Final Terms as being applicable or (ii) the SONIA Compounded Index Rate is specified in the applicable Final Terms as being applicable and Condition 4(b)(v)(B) applies, if, in respect of any London Business Day, the Agent determines that the applicable SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable (or as otherwise provided in the relevant definition thereof) or has not otherwise been published by the relevant authorised distributors or on the Bank of England’s website as mentioned above, such Reference Rate shall be:
- (1) (i) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Business Day; *plus* (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Business Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
 - (2) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof), and
- in each case, SONIA_i shall be interpreted accordingly.
- (D) Where the SONIA reference rate is being determined in accordance with Condition 4(b)(v)(C), in the event the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined; or (ii) any rate that is to replace the SONIA reference rate, the Agent shall, to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA reference rate for any London Business Day “*i*” for the purpose of the relevant Series of Notes for so long as the SONIA reference rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Agent, subject to Condition 4(d), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) 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 Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) 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 such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (including applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

- (E) As used herein, an “**Interest Accrual Period**” means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Notes becomes due and payable in accordance with Condition 10 or Condition 11 (as applicable), shall be the date on which such Notes become due and payable).
- (F) If the relevant Series of Notes becomes due and payable in accordance with Condition 10 or Condition 11 (as applicable), the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 4(e) and the Trust Deed.

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4(b)(ii) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4(b)(ii) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vii) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or other Interest Accrual Period).

The Agent (or such other party as aforesaid) will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period (or other Interest Accrual Period) by applying the Rate of Interest to:

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

(viii) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Agent (or such other party as aforesaid) shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

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

- (A) Except where the Reference Rate in respect of the relevant Series of Notes is specified in the applicable Final Terms as being “SONIA Compounded Index Rate” or “SONIA Compounded Daily Reference Rate”, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Trustee and to any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed and to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 18. For the purposes of this Condition

4(b)(ix), the expression “**London Business Day**” has the same meaning given to it in Condition 4(b)(v)(A).

(B) Where the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being “SONIA Compounded Index Rate” or “SONIA Compounded Daily Reference Rate”, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relative Interest Payment Date to be notified to the Trustee and to any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed and to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the second London Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 18.

(x) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, as applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent (or such other party as aforesaid) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Reset Notes*

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

Each Reset Note bears interest:

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

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

The Rate of Interest and the amount of interest (the “**Interest Amount**”) payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 4(a) and, for such purposes, references in the third paragraph of Condition 4(a) to “Fixed Rate Notes” shall be deemed to be to “Reset Notes” and Condition 4(a) shall be construed accordingly.

In this Condition 4(c):

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

“**First Reset Date**” means the date specified in the applicable Final Terms;

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

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Conditions 4(c)(ii) and (if applicable) 4(d), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis equivalent to the Fixed Leg Swap Duration or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the First Margin;

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

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

“**Mid-Market Swap Rate**” means, subject to Condition 4(d), for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration (calculated on the basis of the Day Count Fraction as specified in the applicable Final Terms as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (calculated on the basis of the Day Count Fraction as specified in the applicable Final Terms 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**” has the meaning specified in the applicable Final Terms;

“**Mid-Swap Maturity**” has the meaning specified in the applicable Final Terms;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Conditions 4(c)(ii) and (if applicable) 4(d), either:

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

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent 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 Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

“**Reference Bond**” means, for any Reset Period, a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) 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;

“**Reference Bond Price**” means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Calculation Agent obtains fewer than four but more than one such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations, or (C) if the Calculation Agent obtains one such Reference Government Bond Dealer Quotation, the amount of such quotation, or (D) if the Calculation Agent obtains no such Reference Government Bond Dealer Quotations, the Reference Bond Price determined on the immediately preceding

Reset Determination Date or, in the case of the first Reset Determination Date, as specified in the applicable Final Terms;

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

“**Reference Bond Yield**” means the yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond;

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

“**Reference Government Bond Dealer Quotations**” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Reference Bond Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

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

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

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

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

“**Reset Determination Date**” means, in respect of the First Reset Period, the second Reset Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Reset Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Reset Business Day prior to the first day of each such Subsequent Reset Period;

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

“**Reset Reference Rate**” means either (i) if Mid-Swaps is specified in the applicable Final Terms, the Mid-Swap Rate, or (ii) if Reference Bond is specified in the applicable Final Terms, the Reference Bond Yield, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price;

“**Second Reset Date**” means the date specified in the applicable Final Terms;

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

“**Subsequent Reset Date**” means the date or dates specified in the applicable Final Terms; and

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Conditions 4(c)(ii) and (if applicable) 4(d), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis

equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the relevant Subsequent Margin.

(ii) *Fallbacks*

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, subject to Condition 4(d), the Calculation Agent shall request each of the Mid-Swap 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 Mid-Swap Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum (converted as set out in the definition of such term above) of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If, on any Reset Determination Date, only one of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4(c)(ii), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum (converted as set out in the definition of such term above) of (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) the relevant Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If, on any Reset Determination Date, none of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4(c)(ii), the First Reset Rate of Interest or the relevant Subsequent Reset Rate of Interest (as applicable) shall be the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page.

For the purposes of this Condition 4(c)(ii), “**Mid-Swap Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

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

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Agent, the Trustee and any competent authority or stock exchange by or on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4(b)(ix)(A)) thereafter.

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

If for any reason the Calculation Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with Condition 4(c)(i), the Trustee may (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) appoint an agent to do so and such determination shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this Condition 4(c) with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. Without prejudice to the provisions of Condition 4(c)(v), the Trustee shall have no liability to any person in connection with any determination or calculation made by any agent so appointed pursuant to this Condition 4(c)(iv).

(v) *Certificates to be final*

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

(d) *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, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(d)(ii) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4(d)(iv)), provided that, in the case of Reset Notes, such appointment need not be made earlier than 30 days prior to the first date on which the Original Reference Rate is to be used to determine any Rate of Interest (or any component part thereof). In making such determination, an Independent Adviser appointed pursuant to this Condition 4(d) shall act in good faith as an expert. In the absence of bad faith, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4(d).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(d)(i) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Original Reference Rate last displayed on the Relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to

the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(d)(i).

For the purposes of this Condition 4(d) only, in respect of any Reset Notes, references to (i) Interest Determination Date shall be read as references to Reset Determination Date, (ii) Interest Period shall be read as references to Reset Period and (iii) Interest Payment Date shall be read as references to Reset Date.

(ii) *Successor Rate or Alternative Rate*

If the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, 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 future payments of interest on the Notes (subject to the operation of this Condition 4(d)); 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 future payments of interest on the Notes (subject to the operation of this Condition 4(d)).

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be), provided that if the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread prior to the relevant Interest Determination Date, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(d) and the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the 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 4(d)(v), without any requirement for the consent or approval of Noteholders, at the Issuer’s expense, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. 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 this Condition 4(d) without the consent of the Noteholders.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4(d)(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 supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to 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 or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4(d)(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 4(d), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Notes as Tier 2 Capital and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations.

Notwithstanding any other provision of this Condition 4(d), in the case of Senior Non-Preferred Notes only, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Supervisory Authority treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(d) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 18, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(d); and
- (B) certifying that the Benchmark Amendments (if any) are necessary 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 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 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 Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and Couponholders.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 4(d)(i), 4(d)(ii), 4(d)(iii) and 4(d)(iv), the Original Reference Rate and the fallback provisions provided for in Conditions 4(b)(iv), 4(b)(v) and 4(c)(ii), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions*

As used in this Condition 4(d):

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

- (A) in the case of a Successor Rate, the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner determines, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied);
- (C) the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be) (or, if the Issuer determines that there is no such industry standard).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines in accordance with Condition 4(d)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

“**Benchmark Amendments**” has the meaning given to it in Condition 4(d)(iv);

“Benchmark Event” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (B) 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);
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes;
- (E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 4(d)(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;

“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; and

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

(e) **Interest Accrual**

Interest (if any) will cease to accrue on each Note on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue as provided in the Trust Deed.

(f) **Day Count Fractions**

In this Condition 4:

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time in accordance with the applicable Final Terms for any Fixed Rate Note, Reset Note or Floating Rate Note:

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) if “**Actual/365 (sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

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

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

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

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

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

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

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

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

“D₁” is the first calendar day, expressed as a number, of the Interest 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 Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (viii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

“D₁” is the first calendar day, expressed as a number, of the Interest 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 Interest 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;

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

5 Redemption, Purchase, Substitution and Variation

(a) *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for Taxation Reasons*

Subject (in the case of Subordinated Notes only) to Condition 5(k) and (in the case of Senior Non-Preferred Notes only) Condition 5(l), and provided that notice is given (within the period specified in the applicable Final Terms) to the Trustee and, in accordance with Condition 18, the Noteholders (which notice shall, subject as aforesaid, be irrevocable), if, as a result of a Tax Law Change:

- (i) on the occasion of the next payment due in respect of the Notes, the Issuer will or would be required to pay Additional Amounts as defined in Condition 9 or to account to any taxing authority in the United Kingdom for any amount (other than any tax withheld or deducted from interest payable in respect of the Notes) calculated by reference to any amount payable in respect of the Notes; or
- (ii) (in the case of Senior Non-Preferred Notes and Subordinated Notes 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 provided that the consequences of such event cannot be avoided by the Issuer taking reasonable measures available to it (each such event being referred to as a “**Tax Event**”), the Issuer may redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all (but not some only) of the Notes at their Early Redemption Amount referred to in Condition 5(i) below together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

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

(c) *Redemption at the Option of the Issuer (Issuer Call)*

Subject (in the case of Subordinated Notes only) to Condition 5(k) and (in the case of Senior Non-Preferred Notes only) Condition 5(l), if Issuer Call is specified in the applicable Final Terms, the Issuer may, having given notice (within the period specified in the applicable Final Terms) to the Trustee, the Agent and, in accordance with Condition 18, the holders of the Notes (which notice shall, subject as aforesaid, be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s), as specified in the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly. In the event of a redemption of some only of the Notes, such redemption must be for an amount being the Minimum Redemption Amount or a Maximum Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will (i) be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and (ii) in the case of Redeemed Notes represented by a Global Note, in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of such Redeemed Notes will be published in accordance with Condition 18 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 5(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 at least 10 days prior to the Selection Date.

(d) *Redemption at the Option of the Holders (Investor Put)*

This Condition 5(d) does not apply to Subordinated Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of this Senior Preferred Note or Senior Non-Preferred Note (as applicable) giving notice to the Issuer, in accordance with Condition 18, (within the period of notice specified in the applicable Final Terms (which notice shall be irrevocable)), the Issuer will, upon the expiry of such notice, redeem in whole (but not in part) such Senior Preferred Note or Senior Non-Preferred Note (as applicable) on the Optional Redemption Date and at the Optional Redemption Amount as specified in the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If this Senior Preferred Note or Senior Non-Preferred Note (as applicable) is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Senior Preferred Note or Senior Non-Preferred Note (as applicable) the holder of this Senior Preferred Note or Senior Non-Preferred Note (as applicable) must deliver such Senior Preferred Note or Senior Non-Preferred Note (as applicable), on any Business Day (as defined in Condition 4(b)(i)) falling within the notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office

of any Paying Agent (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 5(d). If this Senior Preferred Note or Senior Non-Preferred Note (as applicable) is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Senior Preferred Note or Senior Non-Preferred Note (as applicable) the holder of this Senior Preferred Note or Senior Non-Preferred Note (as applicable) must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

(e) *Regulatory Event Redemption of Subordinated Notes*

This Condition 5(e) applies to Subordinated Notes only.

Subject to Condition 5(k), the Issuer may, in its sole discretion, if a Regulatory Event has occurred and is continuing, having given notice (within the period specified in the applicable Final Terms) to the Trustee, the Agent and, in accordance with Condition 18, the Noteholders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date fixed for redemption), redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all (but not some only) of the Subordinated Notes at their Early Redemption Amount referred to in Condition 5(i) together, if applicable, with interest accrued to (but excluding) the date fixed for redemption.

Prior to the publication of any notice of early redemption pursuant to this Condition 5(e), the Issuer shall deliver to the Trustee a certificate signed by any two authorised signatories of the Issuer confirming that a Regulatory Event has occurred and is continuing. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, 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 the Noteholders. Upon the expiry of such notice the Issuer shall be bound to redeem the Subordinated Notes accordingly.

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

This Condition 5(f) applies in respect of all Series of Senior Non-Preferred Notes except for any Series where “*Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption*” is expressly specified to be “Not Applicable” in the applicable Final Terms.

If a Loss Absorption Disqualification Event has occurred, then the Issuer may, in its sole discretion, subject to compliance with Condition 5(l), and having given not less than 15 nor more than 30 days’ notice to the Trustee, the Agent and, in accordance with Condition 18, the Noteholders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date fixed for redemption), redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all, but not some only, of the Senior Non-Preferred Notes at their Early Redemption Amount referred to in Condition 5(i), together, if applicable, with interest accrued to (but excluding) the date fixed for redemption.

Prior to the publication of any notice of early redemption pursuant to this Condition 5(f), the Issuer shall deliver to the Trustee a certificate signed by any two authorised signatories of the Issuer confirming that a Loss Absorption Disqualification Event has occurred and is continuing. The Trustee shall be entitled,

without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, 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 the Senior Non-Preferred Noteholders. Upon the expiry of such notice, the Issuer shall be bound to redeem the Senior Non-Preferred Notes accordingly.

As used herein,

A "**Loss Absorption Disqualification Event**" shall be deemed to have occurred in respect of a Series of Senior Non-Preferred Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective after the Issue Date of the first Tranche of such Series of Senior Non-Preferred Notes, either:

- (i) if "*Loss Absorption Disqualification Event: Full Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such Series of Senior Non-Preferred Notes; or
- (ii) if "*Loss Absorption Disqualification Event: Full or Partial Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such Series of Senior Non-Preferred Notes or any part thereof,

is or (in the opinion of the Issuer or the 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 Senior Non-Preferred Notes from the relevant minimum requirement(s) is due to the remaining maturity of such Senior Non-Preferred 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 such Series of Senior Non-Preferred 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 in effect in the United Kingdom (including, without limitation, any provisions of the Insolvency Act 1986, as amended from time to time) and applicable to the Issuer (whether on an individual or consolidated basis), including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any Supervisory Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer).

(g) Purchases

Subject (in the case of Subordinated Notes only) to Condition 5(k) and (in the case of Senior Non-Preferred Notes) Condition 5(l), the Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Notes, all unmatured Coupons appertaining thereto are attached thereto or surrendered therewith) in the open market either by tender or private agreement or otherwise, without restriction as to price.

(h) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5(a), (b), (c), (d), (e) or (f) or upon its becoming due and repayable as provided in Condition 10 (if this Note is a Senior Preferred Note or an Unrestricted Default Senior Non-Preferred Note) or Condition 11 (if this Note is a Subordinated Note or a Restricted Default Senior Non-Preferred Note) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5(i)(ii) as though the references therein to the date fixed for redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (ii) the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 18 or individually.

(i) Early Redemption Amounts

For the purposes of Conditions 5(b), (e) and (f) and Condition 10 (if this Note is a Senior Preferred Note or an Unrestricted Default Senior Non-Preferred Note) or Condition 11 (if this Note is a Subordinated Note or a Restricted Default Senior Non-Preferred Note):

- (i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; or
- (ii) each Zero Coupon Note, will be redeemed at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield, expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(j) Cancellation

All Notes which are (i) redeemed in full or (ii) purchased by or on behalf of the Issuer or any Subsidiary of the Issuer (except purchases made in the ordinary course of a business of a dealer in securities) will

forthwith be cancelled (together with, in the case of definitive Notes, all unmatured Coupons attached thereto or surrendered therewith) and such Notes may not be re-issued or resold.

(k) *Preconditions to Redemption and Purchase of Subordinated Notes*

This Condition 5(k) applies to Subordinated Notes only.

Any redemption or purchase of Subordinated Notes in accordance with Condition 5(b), (c), (e) or (g) is subject to:

- (i) the Issuer having obtained Regulatory Approval therefor;
- (ii) either: (i) the Issuer having replaced the Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (ii) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the own funds and eligible liabilities of the Issuer would, following such redemption or repurchase, exceed its minimum regulatory requirements (including any capital buffer requirements) by a margin that the Supervisory Authority considers necessary at such time; and
- (iii) in the case of any redemption or repurchase prior to the fifth anniversary of the Issue Date:
 - (A) in the case of redemption upon a Tax Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date;
 - (B) in the case of redemption upon the occurrence of a Regulatory Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable as at the Issue Date;
 - (C) no later than such redemption or repurchase, the Issuer having replaced the Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Supervisory Authority having permitted the purchase of the Subordinated Notes on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
 - (D) the Subordinated Notes are repurchased for market making purposes.

Notwithstanding the foregoing, if, at the time of any redemption or purchase, the prevailing Regulatory Capital Requirements permit a repayment or purchase only after compliance with one or more additional or alternative preconditions to those set out above in this Condition 5(k), the Issuer shall comply (in addition or in the alternative, as the case may be) with such additional and/or alternative precondition(s).

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

This Condition 5(l) applies to Senior Non-Preferred Notes only.

Any redemption, purchase, substitution or variation of Senior Non-Preferred Notes in accordance with Condition 5(b), (c), (d), (f), (g) or (m) is subject to:

- (i) the Issuer having obtained Regulatory Approval therefor (if and to the extent required by the Supervisory Authority or the Loss Absorption Regulations at such time); and

- (ii) compliance with any other pre-conditions to, or requirements applicable to, such redemption, purchase, substitution or variation as may be required by the Supervisory Authority or the Loss Absorption Regulations at such time.

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

This Condition 5(m) applies to each Series of Senior Non-Preferred Notes unless “*Senior Non-Preferred Notes: Substitution and Variation*” is expressly specified to be “Not Applicable” in the applicable Final Terms.

Upon the occurrence of a Loss Absorption Disqualification Event in respect of a Series of Senior Non-Preferred Notes, the Issuer (in its sole discretion but subject to Condition 5(l)), having given notice of not more than 30 days nor less than 15 days prior to the date of substitution or variation (as the case may be) to the Trustee and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for substitution or variation, as applicable) may, without any requirement for the consent or approval of the Noteholders or Couponholders, either substitute all (but not some only) of the Senior Non-Preferred Notes of such Series for, or vary the terms of the Senior Non-Preferred Notes of such Series 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 relevant Senior Non-Preferred Notes and, subject as set out below, the Trustee shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this Condition 5(m), the Issuer shall comply with the rules of any stock exchange on which the relevant Senior Non-Preferred 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 5(l);
- (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 of the Issuer stating that the Loss Absorption Disqualification Event giving rise to the right to substitute or vary the Senior Non-Preferred Notes has occurred as at the date of the certificate and that the conditions set out in Conditions 5(m)(i) and (ii) 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 5(m)(i), 5(m)(ii) and 5(m)(iii) and the provision of the certificate signed by two authorised signatories of the Issuer as referred to in the definition of Loss Absorption Compliant Notes, and at the expense and cost of the Issuer, use reasonable endeavours to assist the Issuer in any substitution or variation of the relevant Senior Non-Preferred Notes in accordance with this provision, except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes would, in the Trustee’s opinion, impose more onerous obligations upon it or expose the Trustee to any additional duties, responsibilities or liabilities in any 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 or Couponholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institutions or any other experts, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate or advice and such report, confirmation, certificate or advice shall (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.

(n) Definitions

As used 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 of the Issuer and delivered to the Trustee prior to the relevant substitution or variation):

- (A) such securities are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;
- (B) such securities and any relative coupons rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) equally with the ranking of the relevant Senior Non-Preferred Notes;
- (C) such securities have terms not materially less favourable to Noteholders and Couponholders than the terms of the relevant Senior Non-Preferred Notes and 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 relevant Senior Non-Preferred 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 relevant Senior Non-Preferred Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to common equity tier 1 instruments; and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the relevant Senior Non-Preferred Notes and relative Coupons which has accrued to Noteholders or Couponholders and not been paid;
- (E) such securities are listed on the same stock exchange or market as the relevant Senior Non-Preferred 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 relevant Senior Non-Preferred 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 relevant Senior Non-Preferred Notes immediately prior to their substitution or variation;

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

“**Regulatory Approval**” means, at any time, such approval, consent, prior permission or the provision of non-objection from, or notification required within prescribed periods to, the Supervisory Authority, or such waiver of the then prevailing Regulatory Capital Requirements and/or Loss Absorption Regulation from the Supervisory Authority, as is required (if any) under the then prevailing Regulatory Capital Requirements and/or Loss Absorption Regulations, as the case may be, at such time;

A “**Regulatory Event**” is deemed to have occurred in respect of a Series of Subordinated Notes if there is a change (which has occurred or which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of such Series of Subordinated Notes which becomes effective after the date of issue of the first Tranche of such Series of Subordinated Notes and that results, or would be likely to result, in:

- (i) if “*Regulatory Event (Subordinated Notes only): Full Exclusion*” is specified in the applicable Final Terms, the entire principal amount of such Series of Subordinated Notes being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis); or
- (ii) if “*Regulatory Event (Subordinated Notes only): Full or Partial Exclusion*” is specified in the applicable Final Terms, the entire principal amount of such Series of Subordinated Notes or any part thereof being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis); and

“**Tax Law Change**” means an introduction or change, or change in official interpretation or application, of any laws, regulations, pronouncements, judicial decisions, standards or guidelines which change becomes effective on or after the date of issue of the first Tranche of the relevant Notes.

6 Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney and, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

(b) *Presentation of Definitive Notes and Coupons*

Subject as provided below, payments of principal and interest (if any) in respect of definitive Notes (if issued) will be made against presentation and surrender of definitive Notes or Coupons, as the case may be, at any specified office of any Paying Agent.

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent. A record of each payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

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

Notwithstanding the foregoing, payments of interest in U.S. Dollars will only be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due, (b) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Fixed Rate Notes in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of ten years after the relevant date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have become due.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Reset Note, Subordinated Note or Senior Non-Preferred Note which is also a Fixed Rate Note in definitive form, all unmatured Coupons and Talons (if any) relating to such Note (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(c) *Payment Day*

If any date for payment of any amount in respect of any Note or Coupon is not a Payment Day (as defined below), then the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 6(c) (unless otherwise specified in the applicable Final Terms), “**Payment Day**” means any day which (subject to Condition 12) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre (other than T2) specified in the applicable Final Terms;
- (ii) if T2 is specified as an Additional Financial Centre in the applicable Final Terms, a day on which T2 is open for the settlement of payments in euro; and
- (iii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which T2 is open for the settlement of payments in euro.

If the due date for redemption of any interest bearing Note in definitive form is not a due date for the payment of interest relating thereto, interest accrued in respect of such interest bearing Note from (and including) the last preceding due date for the payment of interest (or from (and including) the Interest Commencement Date, as the case may be) will be paid only against surrender of such interest bearing Note.

(d) *Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes; and
- (v) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or

pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 12. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8 Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below. 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. The Issuer will procure that so long as any Floating Rate Note remains outstanding there shall at all times be an Agent for the purposes of such Notes. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Trustee to act as such in its place. The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer may, with the prior approval of the Trustee, vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts provided that it will, so long as any of the Notes is outstanding, maintain (i) a Paying Agent (which may be the Agent) having a specified office in a city approved by the Trustee in continental Europe other than the jurisdiction in which the Issuer is incorporated and (ii) so long as any of the Notes are listed on any stock exchange (or any other relevant authority), a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the fourth paragraph of Condition 6(b). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 18.

9 Taxation

All payments of principal and interest (if any) in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding of, or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (a) in the case of all Senior Preferred Notes and each Series of Senior Non-Preferred Notes unless the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, in respect of payments of interest (if any) or principal, or (b) in the case of all Subordinated Notes and each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, in respect of payments of interest (if any) only, pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net amounts receivable by the Noteholders and Couponholders after such withholding or deduction shall equal the respective

amounts of (in the case of Notes falling within (a) above only) principal and (in the case of any Notes) interest (if any) which would have been receivable in respect of the Notes or Coupons (as the case may be) in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who: (a) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by the holding of such Note or Coupon;
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

For this purpose, the “**relevant date**” means the date on which the payment in respect of the Note or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Agent or the Trustee on or prior to such date, the “**relevant date**” means the date on which, such moneys having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 18.

For the avoidance of doubt, if a Note is a Subordinated Note or a Senior Non-Preferred Note for which the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Gross-up of principal*” as “Not Applicable”, the Issuer will not pay any Additional Amounts in respect of principal of such Note.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

10 Events of Default and Enforcement relating to Senior Preferred Notes and Unrestricted Default Senior Non-Preferred Notes

This Condition 10 only applies if this Note is (a) a Senior Preferred Note or (b) a Senior Non-Preferred Note for which the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Restricted Events of Default*” as being “Not Applicable” (an “**Unrestricted Default Senior Non-Preferred Note**”), and references in this Condition 10 to the Notes shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal 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 prefunded to its satisfaction), (but, in the case of the happening of any of the events mentioned in Conditions 10(b) to (g) (inclusive), only if the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due

and repayable at their Early Redemption Amount (as described in Condition 5(i)), together with accrued interest (if any) as provided in the Trust Deed, if any of the following events (each an “**Event of Default**”) occurs:

- (a) there is default for 14 days or more in respect of the payment of principal or interest in respect of the Notes or any of them in each case when and as the same ought to be paid;
- (b) there is default by the Issuer in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Notes or Coupons and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and (except where the Trustee determines that such default is not capable of remedy when no such notice or continuation as is hereinafter mentioned shall be required) such default 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
- (c)
 - (i) if any other present or future indebtedness of the Issuer or any Principal Subsidiary (as defined below) becomes due and payable prior to its stated maturity by reason of a default;
 - (ii) if any such indebtedness is not paid when due or (as the case may be) within any applicable grace period therefor as originally provided;
 - (iii) if the Issuer or any Principal Subsidiary fails to pay when due or (as the case may be) within any applicable grace period therefor as originally provided any amount payable by it under any present or future guarantee (other than any guarantee given in the ordinary course of its businesses) in respect of any indebtedness; or
 - (iv) if any mortgage, charge, pledge, lien or other encumbrance present or future securing any such indebtedness or guarantee as aforesaid and created or assumed by the Issuer or any Principal Subsidiary becomes enforceable and the holder thereof takes any steps to enforce the same,provided, however, that the aggregate principal amount of any such indebtedness shall at the time exceed £10,000,000 (or its equivalent in any other currency or currencies);
- (d) a distress or execution or other legal process is levied or enforced or sued out upon or against the whole or any substantial part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (e) save for the occurrence of any of the following events in the case of the Issuer in connection with an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer’s engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act, the Issuer or any Principal Subsidiary becomes insolvent or stops or threatens to stop payment of or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or an administrative or other receiver or an administrator of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceedings under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or, save as aforesaid or for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders, ceases or threatens to cease to carry on its business or any substantial part of its business;

- (f) save:
- (i) in the case of the Issuer, as a result of an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer’s engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act;
 - (ii) in the case of a Principal Subsidiary, for a solvent winding up of such Principal Subsidiary pursuant to which the assets thereof attributable directly or indirectly to the Issuer are distributable to any one or more of the issuer and its other Subsidiaries; or
 - (iii) in any case, for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders,
- an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer or any Principal Subsidiary or the authorisation or registration of the Issuer is or is proposed to be cancelled, suspended or revoked, or anything analogous or similar to any of the foregoing occurs; or
- (g) the Issuer ceases to be a building society for the purposes of the Act or the Issuer transfers its assets or engagements save:
- (i) as a result of an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer’s engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act; or
 - (ii) for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders; or
 - (iii) as a result of an arrangement whereunder the Issuer shall cease to be a building society for the purposes of the Act the terms of which arrangement have been approved by an Extraordinary Resolution of the Noteholders.

“**Principal Subsidiary**” means a Subsidiary whose total assets (attributable to the Issuer) represent 10 per cent. or more of the consolidated total assets of the Issuer and the Subsidiaries taken as a whole (all as more particularly described in the Trust Deed). A report by the Auditors (as defined in the Trust Deed) that in their opinion a Subsidiary is or is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

The Trustee may at its discretion and without further notice take such proceedings as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes and Coupons, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least 25 per cent. in nominal amount of the Notes outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

11 Events of Default and Enforcement relating only to Subordinated Notes and Restricted Default Senior Non-Preferred Notes

This Condition 11 only applies if this Note is (a) a Subordinated Note or (b) a Senior Non-Preferred Note unless the applicable Final Terms expressly specifies “*Senior Non-Preferred Notes: Restricted Events of Default*” as

being “Not Applicable” (a “**Restricted Default Senior Non-Preferred Note**”), and references in this Condition 11 to Notes shall be construed accordingly.

- (a) In the event of a default being made for a period of seven days or more in payment of principal in respect of the Notes or any of them or for 14 days or more in payment of any interest in respect of 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 without further notice, institute proceedings for the winding up of the Issuer in England (but not elsewhere), but may take no further action in respect of such default (other than as provided at Condition 11(c)).
- (b) 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 (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 any such proceedings be obliged to pay any sum or sums representing principal or interest in respect of the Notes or Coupons sooner than the same would otherwise have been payable by it.
- (c) In the event of 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, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified to its satisfaction), give notice to the Issuer that the Notes are due and repayable immediately (and the Notes shall thereby become so due and repayable) at their Early Redemption Amount (as described in Condition 5(i)) together with accrued interest (if any) as provided in the Trust Deed.
- (d) 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, 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 principal amount of the Notes outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded 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.

12 Prescription

Notes and Coupons shall become void unless presented for payment within 10 years (in the case of Notes) and five years (in the case of Coupons), in each case from the relevant date (as defined in Condition 9) therefor, subject to the provisions of Condition 6. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 12 or Condition 6 or any Talon which would be void pursuant to Condition 6.

13 Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed subject, in the case of modifications with respect to Subordinated Notes and Coupons, to Regulatory Approval (as defined in Condition 5(n)) and to Condition 5(k) and, in the case of modifications with respect to Senior Non-Preferred Notes and Coupons, to Regulatory Approval and to Condition 5(m). The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes for the time being outstanding so held or represented, except that, at any meeting, the business of which

includes the modification of certain of these Conditions or of certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the nominal amount of the Notes for the time being outstanding.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of the Notes or any of the provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification thereof which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver or authorisation shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 18.

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 Condition 4(d) without the consent of the Noteholders.

The Trustee shall be obliged to concur with the Issuer in effecting any substitution or variation of the Senior Non-Preferred Notes as set out in Condition 5(m) without the consent of the Noteholders or Couponholders.

In connection with the exercise by it of any of its trusts, powers or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

14 Substitution

- (a) Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders or Couponholders, to the substitution of any Successor in Business of the Issuer (as defined in the Trust Deed) or of a Subsidiary of the Issuer or any such Successor in Business, 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 Section 97 or other applicable provisions of the Act, in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons, provided (in the case of the substitution of any company which is a Subsidiary of the Issuer or

such Successor in Business) that the obligations of the Subsidiary in respect of the Trust Deed, the Notes and Coupons shall be unconditionally and irrevocably guaranteed by the Issuer or such Successor in Business in such form as the Trustee may require and provided further that (in the case of Subordinated Notes and Senior Non-Preferred Notes) the obligations of such Successor in Business or Subsidiary of the Issuer or of any such Successor in Business and any such guarantee shall rank on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations in respect of the relevant Notes and Coupons.

- (b) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Act or transfer its engagements to another building society pursuant to Section 94 of the Act or propose to transfer the whole of its business to a successor in accordance with Section 97 and other applicable provisions of the Act the successor will upon such transfer, pursuant to such provisions, forthwith automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons without any prior approval thereof being required from the Noteholders, 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:
- (i) either (1) the Issuer satisfies the Trustee that the successor will be an authorised person for the purposes of the Financial Services and Markets Act 2000 (as amended, the "FSMA") (or any statutory modification or re-enactment thereof) or (2) if such evidence is not so delivered, procure that such transfer is approved by an Extraordinary Resolution of the Noteholders;
 - (ii) in connection with such transfer, any variation or supplement to the 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;
 - (iii) 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
 - (iv) 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 Regulatory Capital Requirements 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.
- (c) Any substitution referred to in Conditions 14(a) and (b) shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders by the Issuer as soon as practicable thereafter in accordance with Condition 18.

15 Further Issues

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

16 Replacement of Notes, Coupons and Talons

If a Note (including any Global Note), Coupon or Talon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Agent in London, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 18, on payment of such costs as may be incurred therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

17 Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

18 Notices

All notices regarding the Notes will be valid if published in the *Financial Times* or any other daily newspaper in the United Kingdom approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe (including the United Kingdom). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange for any other relevant authority) on which the Notes are for the time being listed or admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

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

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

19 Contracts (Rights of Third Parties) Act 1999

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

20 Governing Law

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

21 Recognition of UK Bail-in Power

(a) *Agreement and Acknowledgement with respect to the Exercise of the UK Bail-in Power*

Notwithstanding and to the exclusion of any other term of any Series of Notes or any other agreements, arrangements or understandings between the Issuer and any Noteholder (or the Trustee on behalf of the Noteholders), by its acquisition of the Notes, 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 Supervisory 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 Supervisory Authority, that may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the Amounts Due;
 - (B) the conversion of all, or a portion, of the Amounts Due in respect of the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - (C) the cancellation of the Notes; or
 - (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Notes, as determined by the Supervisory Authority, to give effect to the exercise of the UK Bail-in Power by the Supervisory Authority.

(b) *Definitions*

For the purposes of this Condition 21:

“**Amounts Due**” means the principal amount of, and any accrued but unpaid interest on, the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Supervisory Authority.

“**UK Bail-in Power**” means any write-down, conversion, transfer, modification and/or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the 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 any applicable European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, and/or within the context of a resolution regime in the United Kingdom under the Banking Act 2009, as the same has been or may be amended from time to time (whether pursuant to the Financial Services (Banking Reform) Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or

investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person.

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

No repayment or payment of Amounts Due in relation to the Notes, will become due and payable or be paid after the exercise of any UK Bail-in Power by the Supervisory Authority if and to the extent such amounts have been reduced, converted, written-down, cancelled, amended or altered as a result of such exercise.

(d) *Event of Default*

Neither a reduction or cancellation, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Supervisory Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Supervisory Authority with respect to the Notes will constitute an Event of Default.

(e) *Notice*

Upon the exercise of the UK Bail-in Power by the Supervisory Authority with respect to any Notes, the Issuer shall immediately notify the Trustee and the Agent in writing of such exercise and give notice of the same to Noteholders in accordance with Condition 18. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 21(e) shall not affect the validity and enforceability of the exercise of the UK Bail-in Power.

USE OF PROCEEDS

An amount equal to the net proceeds from each issue of Notes will be used by the Issuer for the general funding purposes of its business. If, in respect of a particular Tranche of Notes, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

The Issuer may, in particular, issue Notes as Social Bonds (as indicated in the applicable Final Terms) and in the case of such Notes, an amount equal to the net proceeds from the issue of any Tranche of Notes will be allocated to eligible social projects (“**Eligible Social Projects**”) in accordance with its Social Financing Framework (as defined below), as it may be amended or replaced from time to time.

Investors in such Notes should have regard to the risk factors described in the section headed “*Risk Factors – The use of proceeds of the Notes may not meet investor expectations or requirements*”.

Social Financing Framework

The Issuer established its Social Financing Framework (also referred to as its Social Bond Framework) in March 2021 (as amended from time to time, the “**Social Financing Framework**”). Under the Social Financing Framework, the Issuer may issue Social Bonds to finance or re-finance projects and expenditures that fall within the categories of Eligible Social Projects described in the Social Financing Framework.

The Issuer updated its Social Financing Framework in September 2021 and may, in the future, further update the Social Financing Framework in line with developments in the sustainable finance market.

The Issuer has engaged S&P Global Ratings Europe Limited to provide an external review in the form of a second party opinion on the Social Financing Framework (as amended from time to time, the “**Second Party Opinion**”). The Second Party Opinion dated September 2021 confirms the alignment of the Social Financing Framework with the International Capital Market Association’s Social Bond Principles (the “**SBPs**”). The Social Financing Framework dated September 2021 is presented in accordance with the five core components of the SBPs, namely (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; (iv) reporting; and (v) external review.

For the avoidance of doubt, neither the Social Financing Framework nor the Second Party Opinion is incorporated into, or forms part of, this Prospectus.

YORKSHIRE BUILDING SOCIETY

Introduction

Yorkshire Building Society's principal office is at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ (telephone number: 01274 740740). The Society and its subsidiaries (the "**Group**") was, in terms of total assets, at 31 December 2022, the third largest building society in the United Kingdom with total assets of £58.8 billion (source: Annual Report and Accounts 2022).

The Society was formed in 1884 as The Bradford Self-Help Permanent Building Society. It was incorporated in England in 1885 under the Building Societies Act 1874. In 1975 it merged with the Huddersfield Building Society (incorporated in 1864) to become the Huddersfield and Bradford Building Society. The present name was adopted following a further merger with the West Yorkshire Building Society in 1982. The engagements of Haywards Heath Building Society were transferred to the Society on 31 December 1992. On 31 December 2001 the Gainsborough Building Society merged with the Society. The engagements of Barnsley Building Society were transferred to the Society on 31 December 2008, on 1 April 2010 the engagements of Chelsea Building Society were transferred to the Society and on 1 November 2011, the engagements of Norwich and Peterborough Building Society were transferred to the Society, in each case under section 94 of the Building Societies Act 1986.

Except as otherwise stated, financial information contained herein is either (i) extracted from the audited consolidated annual accounts of the Society and its subsidiaries or (ii) calculated using financial information extracted from such annual accounts.

Constitution

The Society is regulated by the FCA and the PRA and operates in accordance with the Building Societies Act and the Society's memorandum (the "**Memorandum**") and rules (the "**Rules**"). It is an authorised building society within the meaning of the Building Societies Act and is registered under the FSMA, Registered Number 66B.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 1985 or the Companies Act 2006, does not have equity shareholders in the usual sense. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. No individual member is entitled to more than one vote on any resolution proposed at a general meeting. Holders of investment shares may withdraw funds from their share accounts subject to the rules of the Society and the terms upon which their shares are issued. Depositors with and lenders to the Society are not members and accordingly have no voting rights.

A building society may, subject to the approval of its members (by a requisite shareholders' resolution of investing members and a borrowing members' resolution) and confirmation by the relevant regulatory authority, transfer its business to a specially formed public company limited by shares incorporated in the United Kingdom which has power to offer its shares or debentures to the public in a procedure commonly referred to as "conversion" or to an existing successor company which is a public company limited by shares incorporated in the United Kingdom with power to offer its shares or debentures to the public in a procedure commonly referred to as a "takeover".

The Mutual Societies Transfer Order modifies section 97 of the Building Societies Act to permit a building society to transfer the whole of its business to a relevant subsidiary of a building society, friendly society or registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014 incorporated in the United Kingdom (as defined in that legislation).

The Society is committed to its existing status as a mutual building society run for the benefit of its current and future members. During 1998 the Society announced the establishment of a charitable foundation. Since the date of its establishment, new members of the Society have to agree to assign to the foundation their rights to any windfall benefits arising from a conversion to plc status during the period of five years from commencement of their membership. Members retain their full rights to vote on any conversion resolution during the five year assignment period.

The affairs of the Society are conducted and managed by a board of directors who are elected by members of the Society and who serve in accordance with the rules of the Society. The board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises the senior executives of the Society who are responsible to the board for the day-to-day management of the Society. Eligibility to vote at general meetings is governed by the Building Societies Act and the rules of the Society.

Board of Directors

The directors of the Society and their responsibilities within the Society, their business occupations outside the Society (if any), their other directorships, their dates of birth and the dates that they were appointed as directors, as of the date hereof, are as set out below:

| Directors | Date of birth | Date of appointment as a Director | Business Occupation | Other Directorships |
|---|----------------------|--|---|--|
| John Robert Heaps, LLB | 8 July 1953 | 20 November 2014 | Chair of the Board | The CityUK |
| Susan Allen BA Hons (Econ) ACIB ACT | 1 September 1966 | 2 March 2023 | Chief Executive | Alzheimer's Society |
| Guy Lawrence Tarn Bainbridge, MA (Cantab), ACA | 13 September 1960 | 1 January 2019 | Non-executive Director | ICE Clear Europe Ltd Manulife Financial Corporation The Manufacturers Life Insurance Company |
| Angela Jane Darlington, BSC FIA | 7 May 1968 | 26 April 2022 | Non-executive Director | Rothesay Life Plc Rothesay Ltd |
| Alison Elizabeth Hutchinson, CBE, BSc | 5 February 1967 | 4 February 2015 | Charity Chief Executive | DFS Furniture plc Foresight Group Holdings Ltd Liverpool Victoria Financial Services Ltd Your Penny Ltd |
| Alasdair Bruce Lenman, MA, ACMA | 25 December 1969 | 4 December 2017 | Chief Finance Officer and Executive Director | YBS Pension Trustees Ltd Arkose Funding Ltd |
| Mark Alistair Parsons, BA, FCMA | 24 October 1961 | 20 October 2020 | Non-executive Director | Fairstone Capital Group Ltd Fairstone Private Wealth Ltd |
| Dina Matta, BSc/BA..... | 15 May 1962 | 27 April 2021 | Non-executive Director | FatFractal Inc |
| Jennelle Lisa Tilling, BBus, BA | 19 June 1969 | 1 November 2021 | Non-executive Director | Marketing with Insight Ltd Camelot UK Lotteries Ltd Shaftesbury Plc Guide Dogs for the Blind Association (The) |
| David Edmund Thomas Morris, BA(Hons) MA | 26 September 1983 | 1 January 2022 | Chief Commercial Officer and Executive Director | Accord Mortgages Ltd BCS Loans & Mortgages Ltd Chelsea Mortgage Services Ltd Norwich and Peterborough Insurance Brokers Ltd |

The business address of the Society's Directors is at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ.

Management

Whilst the Society's board of directors is responsible for strategy and policy, implementation of policy and day-to-day management is delegated to the following senior executives:

| | |
|-------------------------------|--|
| S.M. Allen BA Hons, ACIB, ACT | <i>Chief Executive Officer</i> |
| A.B. Lenman, MA, ACMA | <i>Chief Finance Officer and Executive Director</i> |
| D.E.T. Morris, BA (Hons), MA | <i>Chief Commercial Officer and Executive Director</i> |
| K Ireland, FCA | <i>Chief Internal Audit Officer</i> |
| O Hunt, BA, FCIPD | <i>Chief People Officer</i> |
| R.S.Wells, FCIB | <i>Chief Risk Officer</i> |

The business address of the Society's senior executives is at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ.

There exists no potential conflicts of interest between (i) any duties owed to the Society by any member of the board of directors or any of the senior executives listed above and (ii) their private interests and/or other duties, other than as set out below.

The Society has an investment in Arkose Funding Limited. In 2014, a loan of £4.0m to Arkose Funding Limited was fully impaired.

There have been no material changes to related parties and the associated related party transactions since the 2022 year end.

Business and Strategy of the Society

Yorkshire Building Society exists to provide its members and customers Real Help with Real Life. All of the Society's actions are ultimately aligned to, or in service of, achieving this purpose as best it can. Underpinning this purpose are three key priorities: helping people to have a place to call home, helping to support and build greater financial wellbeing, and delivering long-term value for members.

As a member-owned mutual, the Society has a duty to its members and customers to operate a financially secure, sustainable business with robust controls and risk management processes in place.

The Society's business model is to provide its savers with a safe place to keep their deposits and build their financial resilience. These savings balances are then used to fund mortgage lending, enabling customers to secure a home of their own. Alongside retail savings deposits, the Society raises additional funds through the wholesale markets and Government funding schemes, which helps to diversify its funding base and provides further stability and flexibility. The majority of the Society's mortgage lending is focused on the residential property market, though the Group also lends to the buy-to-let and commercial sectors.

The level of profit generated by the Society is required to be such that its financial position remains secure, that sufficient capital is generated to support growth plans, and that products and services can continue to be developed in order to be able to fulfil the evolving needs of members and customers.

Guiding the Society's strategy are its Strategic Blueprint and Transformation Roadmap, both of which launched in 2020. The Transformation Roadmap represented an ambitious programme which aimed to enhance the Society's digital capabilities and provide a step-change in the customer experience offered. By the end of 2022 the Society was approaching the conclusion of the first phase of work under the Transformation Roadmap.

The Strategic Blueprint for 2023 will continue to underpin the Society's transformation and are now:

- *Savings Supercharged* - This is about purposeful propositions that support the financial wellbeing of members, reward member loyalty and offer the best value the Society can, alongside digital processes that compare favourably to both financial services providers and other consumer markets.
- *Purposeful Analytics* – To build upon existing analytical capabilities, including enhanced behavioural, risk and pricing tools which will help in better identifying and assessing potential areas of value.
- *Unbelievably Easy and Efficient* – To deliver a digitally capable, connected business which will make the lives of customers and colleagues easier through process improvements and cultural shifts.

Recent Developments

The Society has continued to invest in reducing operational risk, with cyber security, financial crime controls, compliance with the General Data Protection Regulation, and the upgrade of legacy systems having been among key priorities in 2022.

The improvements in digital service capability achieved through the Transformation Roadmap serves to complement the support offered through more traditional channels – in branch and by phone. In the last two years, the Society has delivered against elements of the Transformation Roadmap which provided some tangible improvements for customers.

In early 2023, the process for opening new savings accounts was streamlined, and more recently much focus was placed on addressing some of the known points of customer dissatisfaction. This included the implementation of a new, simplified login process, which allows customers access to online services with greater ease, as well as the expansion of the range of services which are available online and through the mobile app.

Customer expectations of a mortgage and savings provider encompass more than products alone, which is why the Society sets high standards for interactions with its members and customers. In 2022, the Society's Net Promoter Score (NPS) – a measure of how willing customers are to recommend products and services to others – improved against the score in 2021.

The means through which value is returned to members varies: from the competitive pricing of mortgages and savings products, to developing tailored propositions to address worthy problems like helping first-time buyers onto the property ladder.

Enhancements made through the Purposeful Analytics priority supported the launch of specific lending propositions in 2022 which included products aimed to benefit borrower segments like first-time buyers. Improved pricing capabilities for retaining existing borrowers were also delivered in 2022.

The buy-to-let arm of the Society's intermediary lender, Accord Mortgages Limited (“**Accord**”), was relaunched in the first quarter of 2022, bringing changes to lending criteria and a newly expanded product range. Coupled with the high service levels for which Accord is known, this relaunch supports the Group's overall performance.

The Society continued to support the financial wellbeing of its members in 2022 by offering competitive rates, continuing to enhance its successful loyalty propositions, and being proactive in passing on the benefit of the

Bank Rate increases. Future decisions around how the Society can best return value to members will continue to be carefully weighed alongside considerations relating to ensuring the long-term sustainability of the Society.

Regulatory

Relevant updates from the regulatory environment in 2022 include:

- A new Consumer Duty was introduced by the FCA, which impacts the financial services sector as a whole. The duty aims to provide fundamental improvements to how firms serve their consumers and sets higher and clearer standards for protection. The Society positively embraces this new regulation and is currently taking the required steps toward compliance with the new rules, which will begin to come into effect from July 2023.
- The Financial Services and Markets Bill, introduced to Parliament in July 2022, is an important piece of legislation seeking to make changes to the framework in which financial services regulators operate, in the context of the UK having separated from the European Union. The Society will continue to monitor future developments as the bill progresses through the legislative process.

International Financial Reporting Standards

With effect from 1 January 2005, the Group has been required to prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the UK (“IFRS”). Previously the Group had prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles.

Group Income

The total interest revenue for the year ended 31 December 2022 amounted to £1,437 million. The net interest income was £724.1 million, net fee and commission income was £5.3 million, net gains from financial instruments held at fair value was £75.6 million, income from investments was £0.1 million, net realised gains on disposal of financial instruments was £2.9 million and other operating income was £3.4 million giving a total income of £811.4 million. The statutory profit before tax was £502.5 million.

Group lending can be summarised as follows:

| | Year ended 31 December | |
|---|------------------------|----------|
| | 2022 | 2021 |
| | (£m) | |
| Average loans and advances to customers..... | 42,808.9 | 40,360.5 |
| Interest receivable on loans secured on residential property..... | 1,027.3 | 912.3 |
| Average yield (%)..... | 2.4 | 2.3 |

The Group’s gross lending for the period ended 31 December 2022 was £10.3 billion and its net lending was £3.0 billion.

Mortgage Losses

The following table shows for the years ended 31 December 2021 and 31 December 2022 charges for impairment of financial assets:

| | (Release)/ Charge for impairment for the period recognised in the income statement net of recoveries relating to amounts previously written off as a percentage of loans and advances to customers | Loans and advances to customers (£m) |
|-----------------------------------|---|---|
| Year ended 31 December 2021 | -0.0465 | 41,922.4 |
| Year ended 31 December 2022 | 0.0140 | 43,695.4 |

Liquidity

Building societies are required to hold a proportion of their assets in a readily realisable form. At 31 December 2022, the Group held liquid assets of £12,482.3 million, being 23.3 per cent. of total shares and borrowings as calculated on page 114.

The types of investment in which building societies may invest funds are laid down in rules and guidance issued by the United Kingdom regulatory authorities.

Funding Activities

Savings from the personal sector are the primary source of funds for the building society industry. However, since 1981 societies have been permitted to raise funds from the wholesale money markets, principally in the form of certificates of deposit, time deposits, loans from banks and note issues.

The proportion of shares and borrowings not in the form of shares held by individuals at 31 December 2022 was 21.6 per cent. compared with the statutory limit of 50 per cent.

The statutory limits are as laid down under the Building Societies Act 1986 (as amended by the Building Societies Act 1997 and secondary legislation) and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

The wholesale funding of the Group at 31 December 2022 and 31 December 2021 was:

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2022 | 2021 |
| | <i>(£m)</i> | |
| Amounts owed to credit institutions..... | 5,160.9 | 6,089.8 |
| Debt securities in issue..... | 5,259.3 | 5,890.9 |
| Other Deposits ⁽¹⁾ | 695.1 | 485.1 |
| | 11,115.3 | 12,465.8 |

Notes:

(1) Other Deposits relates to fixed term Time Deposits transacted through the wholesale markets.

The retail funding of the Group at 31 December 2022 and 31 December 2021 was:

| | Year ended 31 December | |
|-------------------------------|-------------------------------|-----------------|
| | 2022 | 2021 |
| | <i>(£m)</i> | |
| Shares..... | 42,008.2 | 35,506.4 |
| Deposits ⁽¹⁾ | 462.7 | 396.9 |
| | 42,470.9 | 35,903.3 |

Notes:

(1) Deposits relates to retail accounts where the customer does not have Society voting rights.

The Rules of the Society provide that the board of Directors may limit the amount which may be withdrawn from the Society in respect of any shares. Higher rates of interest are generally paid for larger investments in tiered or fixed rate accounts especially where there are restrictions against early withdrawal. Investing shareholders and borrowers automatically become members of the Society and such membership ceases on withdrawal in full of funds by investing shareholders or redemption of all loans by borrowers. Depositors do not become members of the Society on making deposits.

At the end of December 2022 and December 2021, the gross and free capital ratios of the Society for the purposes of the Building Societies (Accounts and Related Provisions) Regulations 1998 were as follows:

| | Year ended 31 December | |
|---|-------------------------------|-------------|
| | 2022 | 2021 |
| Gross capital as a percentage of shares and borrowings ⁽¹⁾ | 8.3 | 8.2 |
| Free capital as a percentage of shares and borrowings ⁽²⁾ | 8.1 | 7.8 |

Notes:

- (1) Gross capital percentage is calculated as total equity attributable to members plus subordinated debt as a percentage of shares and borrowings.
- (2) Free capital percentage is calculated as Gross capital less Tangible Fixed Assets less Intangible Assets as a percentage of shares and borrowings.

Gross capital represents the Group's total equity attributable to members (£3,396.5 million as at 31 December 2022) plus existing subordinated liabilities of £1,035.1 million. Free capital represents the gross capital less the book value of fixed assets plus the collective impairment provision.

The Common Equity Tier 1 ratio is a key capital measure. The Common Equity Tier 1 ratio was 16.8 per cent. on 31 December 2022 and is above the regulatory minimum.

Other Financial Information

The financial measures in this section are not defined in accordance with IFRS accounting standards. However, the Group believes that these measures provide useful supplementary information to both investors and the Group's management, as they facilitate the evaluation of the Group's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies (even if similarly labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. The list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined according to IFRS and not included in the financial statements incorporated by reference into this Prospectus.

Other Financial Information

| Financial Measure | Year ended 31 December | | Definition | Rationale for inclusion |
|-----------------------------------|------------------------|-------|---|---|
| | 2022 | 2021 | | |
| Core operating profit (£m) | 425.6 | 297.3 | Core operating profit measures underlying performance by excluding non-core items, both positive and negative, such as timing differences that reverse over time (e.g. fair value adjustments) or items of a one-off nature (e.g. asset sales). | Measures underlying performance. |
| Net interest margin (%) | 1.30 | 1.07 | For full-year calculations, this ratio calculates the net interest income as a percentage of mean total assets. | Measure of the interest margin being a key indicator of margin performance. |

| | | | | |
|--------------------------------------|------|------|---|--|
| Liquidity ratio (%) | 23.3 | 20.7 | An amount as defined by the Building Societies (Accounts and Related Provisions) Regulations 1998. This comprises cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities as a percentage of shares and borrowings. | Measure of readily available liquidity. |
| Cost to core income ratio (%) | 41 | 50 | A ratio that represents management expenses as a percentage of total income excluding fair value. | Measure of the efficiency of the business. |

Core operating profit is derived as follows:

| | Year ended 31 December | |
|---|-------------------------------|--------------|
| | 2022 | 2021 |
| | <i>(£m)</i> | |
| Statutory profit before tax | 502.5 | 320.0 |
| <i>Reverse out:</i> | | |
| FSCS levy ⁽¹⁾ | | |
| Non-core investments ⁽²⁾ | — | — |
| Net gains/losses from fair value volatility on financial instruments ⁽³⁾ | (74.9) | (19.1) |
| Mergers – adjustments to balances acquired ⁽⁴⁾ | (2.4) | (3.2) |
| Restructuring costs ⁽⁵⁾ | 0.1 | 2.1 |
| Other non-core items | (0.3) | (2.5) |
| Core operating profit | 425.6 | 297.3 |

Notes:

- (1) The Issuer's share of the overall cost of funding failed institutions through this scheme.
- (2) Gains/losses on the Issuer's outstanding structured credit portfolio.
- (3) Reflects changes in market rates on some assets and liabilities. These are mostly timing differences and will reverse in time.
- (4) The release of fair value adjustment made on merger for the provision of expected lifetime losses.
- (5) Movement in provision for restructuring cost.

Net Interest margin for the year ended 31 December 2022 is derived as follows:

| | <i>(£m)</i> | |
|--|-----------------|-------------|
| Interest revenue..... | 1,437.0 | |
| Interest expense | (712.9) | |
| Net interest income | <u>724.1</u> | |
| <i>Net interest income expressed as a percentage of mean assets:</i> | | |
| Assets as at 31 December 2021..... | 52,723.7 | |
| Assets as at 31 December 2022..... | 58,754.1 | |
| Mean | <u>55,738.9</u> | |
| Net interest margin..... | | 1.30 |

Liquidity as at 31 December 2022 is derived as follows:

| | <i>(£m)</i> | |
|---|-----------------|-------------|
| Cash in Hand & Balances with the Bank of England..... | 5,982.8 | |
| Loans and Advances to Credit Institutions | 814.7 | |
| Debt Securities..... | <u>5,684.8</u> | |
| Total Liquid Assets..... | 12,482.3 | |
| <i>as a percentage of Shares and borrowings:</i> | | |
| Shares..... | 42,008.2 | |
| Amounts Owed to Credit Institutions..... | 5,160.9 | |
| Other Deposits | 1,138.1 | |
| Debt Securities in Issue | <u>5,259.3</u> | |
| Total Shares and borrowings | 53,566.5 | |
| Liquidity ratio | | 23.3 |

The Funding limit is derived as follows:

| | <i>(£m)</i> |
|--|----------------|
| Amounts Owed to Credit Institutions..... | 5,160.9 |
| Other Deposits | 1,138.1 |
| Debt Securities in Issue | <u>5,259.3</u> |

| | | |
|--|-----------------|-------------|
| | <i>(£m)</i> | |
| Total shares and borrowings not in the form of Shares | 11,558.3 | |
| <i>as a percentage of Shares and borrowings:</i> | | |
| Shares..... | 42,008.2 | |
| Amounts Owed to Credit Institutions..... | 5,160.9 | |
| Other Deposits | 1,138.1 | |
| Debt Securities in Issue | 5,259.3 | |
| Total Shares and borrowings | 53,566.5 | |
| Total shares and borrowings not in the form of Shares (%) | | 21.6 |
| <i>Cost/core income ratio is derived as follows:</i> | | |
| | <i>(£m)</i> | |
| Management Expenses | | |
| Administrative expenses..... | 276.9 | |
| Depreciation and amortisation | 21.8 | |
| Total management expenses | 298.7 | |
| <i>as a percentage of total income</i> | | |
| Net interest income | 724.1 | |
| Net realised gains on disposal of financial instruments..... | 2.9 | |
| Fees and commission revenue | 21.6 | |
| Fees and commission expense | (16.3) | |
| Other operating income and income from investments | 3.5 | |
| Total core income | 735.8 | |
| Cost/core income (%) | | 40.6 |

TAXATION

United Kingdom Taxation

The following is a summary of the Issuer's understanding of certain limited aspects of United Kingdom taxation under current United Kingdom tax law as applied in England and Wales, and HM Revenue and Customs' practice (which may not be binding on HM Revenue and Customs and is subject to change, possibly with retroactive effect), in each case as at the last practicable date before this Prospectus. 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 hold their Notes and Coupons as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. In particular, Noteholders holding their Notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Noteholders. The summary assumes that there will be no substitution of the issuer of the Notes and does not consider the tax consequences of any such substitution.

The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

(A) Payments of interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("ITA 2007"). The Main Market of the London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

In other cases, an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC may issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest that would be subject to the rules on United Kingdom withholding tax outlined above.

(B) Further United Kingdom Income Tax Issues

Interest on the Notes is expected to have a United Kingdom source for United Kingdom tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding or deduction.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident for tax purposes in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under Condition 15) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated Programme Agreement (as further amended and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 31 March 2023 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under “*Terms and Conditions of the Notes*” and “*Form of the Notes*” above. The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Notes. In the Programme Agreement the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment of the Programme and the issue of the Notes. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the Programme Agreement in certain circumstances prior to payment to the Issuer.

(a) United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of Regulation S under the Securities Act (“**Regulation S**”). Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified by the Agent to such Dealer, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send 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. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury Regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA D rules apply or whether TEFRA is not applicable.

(b) 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 EEA. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

(c) Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, 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 UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

(d) United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has 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 the Issuer were 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.

(e) Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

(f) 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 Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

In connection with Section 309B of 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).

(g) Switzerland

Each Dealer has represented and agreed and each further Dealer appointed under the Programme Agreement will be required to represent and agree that, unless stated otherwise in the Final Terms, it will not, directly or indirectly, in or into Switzerland (i) offer, sell, or advertise the Notes; or (ii) distribute or otherwise make available this Prospectus (including the Final Terms) or any other document relating to

the Notes, in a way that would constitute a public offering within the meaning Article 35 of the Swiss Financial Services Act (the “**FinSA**”), except under the following exemptions under the FinSA: (a) to any investor that qualifies as a professional client within the meaning of the FinSA; or (b) in any other circumstances falling within Article 36 of the FinSA, provided, in each case, that no such public offer of Notes referred to in (a) and (b) above shall require the publication of a prospectus for offers of Notes and/or a key information document (“**KID**”) (or an equivalent document) pursuant to the FinSA. Unless stated otherwise in the Final Terms, neither this Prospectus nor any other document related to the Notes may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus and/or a KID (or an equivalent document) in Switzerland pursuant to the FinSA.

(h) General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief having made all reasonable enquiries) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor. Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other selling restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issuance and purchase.

GENERAL INFORMATION

Listing

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Main Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Main Market. The listing of the Programme in respect of Notes is expected to be granted on or about 4 April 2023.

Authorisation

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 20 April 1993. The increase in the aggregate outstanding amount of the Programme to £750,000,000 was authorised by a resolution of the Board of Directors of the Issuer passed on 26 July 1994. The further increase in the aggregate outstanding amount to £1,000,000,000 was authorised by a resolution of the Board of Directors passed on 24 September 1996. The further increase in the aggregate outstanding amount to £1,500,000,000 was authorised by a resolution of the Board of Directors passed on 22 September 1998. The further increase in the aggregate outstanding amount to £3,000,000,000 was authorised by a resolution of the Board of Directors passed on 20 March 2001. The further increase in the aggregate outstanding amount to £5,000,000,000 was authorised by a resolution of the Board of Directors passed on 22 March 2005. The current update of the Programme and the issue of Notes has been duly authorised by a written resolution of a management committee of the Board of Directors dated 24 March 2023.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN allocated by Euroclear and Clearstream, Luxembourg in respect of each Tranche of Notes will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two days after the date of the transaction. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

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

Auditors

The consolidated accounts of the Issuer for the financial years ended 31 December 2021 and 2022 have been audited, without qualification, in accordance with International Standards on Auditing (UK) issued by the Auditing Practices Board and applicable law, by PricewaterhouseCoopers LLP of Central Square, 29 Wellington Street, Leeds LS1 4DL.

Significant or Material Change

There has been no significant change in the financial position or financial performance of the Group since 31 December 2022 and no material adverse change in the prospects of the Issuer since 31 December 2022.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had during the previous 12 months a significant effect on the Issuer's financial position or profitability or that of the Issuer and its subsidiaries taken as a whole.

Documents Available

From the date hereof throughout the duration of the Programme, and while any Notes remain outstanding, copies of the following documents will, when published, be available at the registered chief office of the Issuer and from the specified office in London of the Agent:

- (i) the Memorandum and the Rules of the Issuer and the Act;
- (ii) the audited consolidated annual accounts of the Issuer and its subsidiaries for each of the years ended 31 December 2021 and 2022, together with the audit reports prepared in connection therewith;
- (iii) the Trust Deed (which contains the forms of the Temporary and Permanent Global Notes, and the definitive Notes, the Talons and the Coupons) and the Agency Agreement and all amendments and supplements thereto and restatements thereof;
- (iv) this Prospectus; and
- (v) any future prospectuses, offering circulars, information memoranda and supplements (including Final Terms) to this Prospectus and any other documents incorporated herein or therein by reference.

Certificates and Reports of the Auditors

Any certificate or report of the auditors of the Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein whether or not such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such auditors or such other person in respect thereof. However, the Trustee will have no recourse to the auditors in respect of such certificates or reports unless the auditors have agreed to address such certificates or reports to the Trustee.

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 securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. 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 AND HEAD OFFICE OF THE ISSUER

Yorkshire House
Yorkshire Drive
Bradford, West Yorkshire BD5 8LJ

ARRANGER

HSBC Bank plc
8 Canada Square
London E14 5HQ

DEALERS

Barclays Bank PLC
1 Churchill Place
London E14 5HP

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA

UBS AG London Branch
5 Broadgate
London EC2M 2QS

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Eighth Floor
100 Bishopsgate
London EC2N 4AG

ISSUING AND PRINCIPAL PAYING AGENT AND AGENT BANK

HSBC Bank plc
8 Canada Square
London E14 5HQ

PAYING AGENT

Banque Internationale à Luxembourg, société anonyme
69 route d'Esch
L-2953 Luxembourg

LEGAL ADVISERS

To the Issuer

Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Dealers and the Trustee

Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London E1 6PW

INDEPENDENT AUDITORS OF THE ISSUER

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

Linklaters LLP
A50417838