



## OSB GROUP PLC

*(incorporated under the laws of England and Wales with registered number 07312896)*

### **£3,000,000,000 Euro Medium Term Note Programme**

Any notes (“Notes”) issued pursuant to this base prospectus (the “**Base Prospectus**”) under the £3,000,000,000 Euro Medium Term Note Programme of OSB GROUP PLC (the “**Programme**”) on or after the date of this Base Prospectus are issued subject to the provisions described herein. Under the Programme, OSB GROUP PLC (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes. The aggregate principal amount of Notes issued by the Issuer outstanding under the Programme will not at any time exceed £3,000,000,000 (or the equivalent in other currencies) (the “**Programme Limit**”), subject to increase as provided herein.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”) under Part VI of the Financial Services and Markets Act 2000 (“**FSMA**”) as a base prospectus issued in compliance with Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”) for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. This Base Prospectus comprises a base prospectus for the purpose of Article 8 of the UK Prospectus Regulation. Applications have been made for the Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA (the “**Official List**”) and to trading on the main market of the London Stock Exchange plc (the “**London Stock Exchange**”). The main market of the London Stock Exchange (the “**Market**”) is a UK 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 EUWA (“**UK MiFIR**”). References in this Base Prospectus to Notes being “**listed**” (and all related references) shall, unless the context otherwise requires, mean that such Notes have been admitted to the Official List and admitted to trading on the Market.

The Senior Preferred Notes and any Coupons (each as defined herein) relating thereto 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, together with any law or regulation applicable to the Issuer which is amended by the Order, as the same may be further amended, supplemented or replaced from time to time, the “**Ranking Legislation**”). The Senior Non-Preferred Notes (as defined herein) and any Coupons relating thereto will constitute “secondary non-preferential debt” for the purposes of the Ranking Legislation. The Tier 2 Capital Notes (as defined herein) and any Coupons relating thereto will constitute “tertiary non-preferential debt” for the purposes of the Ranking Legislation.

This Base Prospectus has been approved by the FCA, as competent authority under the UK Prospectus Regulation. The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer; or (b) an endorsement of the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Base Prospectus is valid for 12 months from its date in relation to Notes which are to be admitted to trading on the Market. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

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

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

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

**Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Notes are discussed under “Risk Factors” herein.**

*Arranger*

**Lloyds Bank Corporate Markets**

*Dealers*

**Citigroup**

**Lloyds Bank Corporate Markets**

**NatWest Markets**

**Goldman Sachs International**

## IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purpose of Article 8 of the UK Prospectus Regulation for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole, respectively, and the Notes to be issued by the Issuer during the period of 12 months from the date of this Base Prospectus, which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes issued by it.

### Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any applicable Final Terms in relation to Notes issued by it under the Programme. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus (or the relevant Final Terms, as the case may be) is in accordance with the facts and this Base Prospectus (or the relevant Final Terms, as the case may be) makes no omission likely to affect the import of such information.

### Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Conditions**”) as completed by a document specific to such Tranche called final terms (the “**Final Terms**”) which will be delivered to the FCA and, where listed on the Market, the London Stock Exchange, or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “*Final Terms and Drawdown Prospectuses*” below.

### The Notes

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

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either (a) individual note certificates in registered form (“**Individual Certificates**”); or (b) one or more global note certificates (“**Global Certificates**”).

Each Note represented by a Global Certificate will either be: (a) in the case of a Global Certificate which is not to be held under the new safekeeping structure (“**NSS**”), registered in the name of a common depositary (or its nominee) for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common depositary and/or the sub-custodian; or (b) in the case of a Global Certificate to be held under the NSS, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and each Global Note which is intended to

be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

### **Other relevant information**

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

The Issuer has confirmed to the Dealers that the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information and contains all information in respect of it that is material in the context of the issue and offering of Notes (including all information that is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and its prospects and of the rights attaching to the Notes) and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading and it has made all reasonable enquiries to ascertain such facts material for the purpose aforesaid.

To the fullest extent permitted by law, none of the Dealers, the Arranger, Citicorp Trustee Company Limited in its capacity as trustee (the “**Trustee**”), Citibank, N.A., London Branch in its capacity as principal paying agent and transfer agent (the “**Principal Paying Agent**” and “**Transfer Agent**” respectively), the calculation agent (as specified from time to time in the Final Terms, the “**Calculation Agent**”), Citibank, N.A., London Branch in its capacity as registrar (the “**Registrar**” and together with the Principal Paying Agent, the Calculation Agent and the Transfer Agent, the “**Agents**”) or Deloitte LLP in its capacity as auditor of the Issuer nor any of their respective affiliates accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee, the Agents or a Dealer or any of their respective affiliates or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger, the Trustee, each Dealer and their respective affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer under or in connection with the Notes.

References in this Base Prospectus to a “**Holder**” or “**Noteholder**” are to the holder of a Bearer Note or the person in whose name a Registered Note is registered, as the case may be.

### **Unauthorised Information**

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

None of the Arranger, the Dealers or any of their respective affiliates, the Trustee or the Agents has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true

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

### **Restrictions on distribution**

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. If a jurisdiction requires that the offering of Notes be made by a licensed broker or dealer and any Dealer or any affiliate of any Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in that jurisdiction. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

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

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

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**UK PRIIPs/IMPORTANT – UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to UK Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK (as defined below). For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II PRODUCT GOVERNANCE/TARGET MARKET** – If applicable, the Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance/Target Market” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to 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** – If applicable, the Final Terms in respect of any Notes may include a legend entitled “UK MiFIR Product Governance/Target Market” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to 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.

## **Benchmark Regulation**

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of the UK BMR. If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (register of administrators and benchmarks) of the UK BMR. Transitional provisions in the UK BMR may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the UK BMR is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

## **Investors to make own investigations**

Neither this Base Prospectus nor any Final Terms nor any of the documents incorporated by reference constitutes an offer or an invitation to subscribe for or purchase any Notes and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Trustee, the Arranger or any of the Dealers that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal 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 advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## Programme limit

The maximum aggregate principal amount of Notes issued by the Issuer outstanding at any one time under the Programme will not exceed the Programme Limit.

For these purposes, any Notes denominated in another currency shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Programme Agreement (as defined under “*Subscription and Sale*”)).

The Programme Limit may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

## Certain definitions

Unless otherwise indicated, all references in this Base Prospectus to “**sterling**”, “**pounds sterling**” or “**£**” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the “**United Kingdom**” or the “**UK**”). All references to the “**Euro**”, “**euro**” or “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended. All references to “**dollars**” or “**U.S.\$**” are to the lawful currency of the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia (the “**United States**” or “**U.S.**”).

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in pounds sterling.

In this Base Prospectus, references to the “**Issuer**” are to OSB GROUP PLC.

Unless otherwise indicated, references to the “**Group**” are to the Issuer and its consolidated subsidiaries; references to the “**Charter Court Business**” are to the business undertaken by Charter Court Financial Services Group plc (“**CCFS**”) and its associated and subsidiary undertakings, including Charter Court Financial Services Limited (“**CCFSL**”) (the “**Charter Court Group**”); and references to the “**OSB Business**” are to the business undertaken by OneSavings Bank plc (“**OSB**”) and its subsidiaries and subsidiary undertakings from time to time prior to OSB’s acquisition of CCFS.

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

## Ratings

As of the date of this Base Prospectus, Fitch Ratings Limited (“**Fitch**”) has assigned the Issuer an issuer rating of BBB- and Moody’s Investors Service Ltd (“**Moody’s**”) has assigned the Issuer an issuer rating of Baa3. Each of Fitch and Moody’s is established in the UK and registered under Regulation (EU) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). As such, each of Fitch and Moody’s is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation.

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

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

## **Stabilisation**

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

## **Singapore SFA Product Classification**

In connection with Section 309B of the Securities and Futures Act 2001 (as modified and amended from time to time, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, each 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).

## **SUPPLEMENTAL BASE PROSPECTUS**

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to Article 23 of the UK Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental base prospectus as required by Article 23 of the UK Prospectus Regulation.

## **FORWARD-LOOKING STATEMENTS**

This Base Prospectus and the information incorporated by reference into this Base Prospectus include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and the information incorporated by reference into this Base Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Issuer and the sectors and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Issuer’s ability to control or predict. Forward-looking statements are not guarantees of future performance.

The Issuer’s actual operating results, financial condition and the development of the sectors and markets in which it operates may differ materially from the impression created by the forward-looking statements

contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus. In addition, even if the operating results and financial condition of the Issuer, and the development of the sectors and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this Base Prospectus, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Issuer and/or the sectors or markets in which it operates and those risks described in the section of this document headed “*Risk Factors*”.

Investors are advised to read this Base Prospectus and the information incorporated by reference into this Base Prospectus in their entirety, and, in particular, the section of this document headed “*Risk Factors*”, for a further discussion of the factors that could affect the Issuer’s future performance and the sectors and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations neither the Issuer nor the Dealers undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

### **ALTERNATIVE PERFORMANCE MEASURES**

To supplement the financial statements of the Issuer (which are audited in accordance with International Financial Reporting Standards (“**IFRS**”)) the Group uses certain non-IFRS ratios and measures included or referred to in this Base Prospectus that would be considered Alternative Performance Measures (“**APMs**”), as defined in the ESMA Guidelines on Alternative Performance Measures (as amended or supplemented from time to time). These measures are considered useful to investors to enhance their understanding of the Group’s financial performance, but APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Where applicable, an explanation of an APM’s components and calculation method can be found in this Base Prospectus and the documents incorporated by reference herein.

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## INFORMATION INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the information contained in:

- (A) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2021, together with the audit report thereon (the “**2021 Financial Statements**”), and the section headed ‘Alternative performance measures’, as set out on pages 170 to 244 (inclusive) and 245 to 248 (inclusive), respectively, of the Issuer’s annual report and accounts for the financial year ended 31 December 2021; and
- (B) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2022, together with the audit report thereon (the “**2022 Financial Statements**” and together with the 2021 Financial Statements, the “**Financial Statements**”), as set out on pages 169 to 245 (inclusive) of the Issuer’s annual report and accounts for the financial year ended 31 December 2022 (the “**2022 Annual Report and Accounts**”) and the following additional sections from the 2022 Annual Report and Accounts:
  - (i) the section headed ‘Multi-channel funding model’ on page 27;
  - (ii) the section headed ‘Capital management’ on page 28;
  - (iii) the section headed ‘Segments review’ on pages 32 to 41 (inclusive);
  - (iv) the section headed ‘Key performance indicators’ on pages 44 to 45 (inclusive);
  - (v) the section headed ‘Liquidity’ on pages 47 to 48 (inclusive);
  - (vi) the section headed ‘Capital’ on page 48;
  - (vii) the section headed ‘Reconciliation of statutory to underlying results’ on page 51;
  - (viii) the section headed ‘Risk review’ (including the section headed ‘Principal risks and uncertainties’) on pages 52 to 75 (inclusive); and
  - (ix) the section headed ‘Alternative performance measures’, on pages 250 to 252 (inclusive),

each of which is available (without charge) on the Issuer’s website at <https://www.osb.co.uk/investors/results-reports-presentations/>, and has been previously published by the Issuer and has been approved by the FCA or filed with it.

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

Any documents referred to in the documents incorporated by reference in this Base Prospectus do not form part of this Base Prospectus. Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

## **PRESENTATION OF INFORMATION**

### **Historical financial information**

The historical financial information in this Base Prospectus has been prepared in accordance with the requirements of the UK Prospectus Regulation and the Listing Rules. The historical financial information incorporated by reference in this Base Prospectus consists of the Financial Statements, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the United Kingdom and interpretations issued by the International Financial Reporting Standards Interpretations Committee in conformity with the requirements of the Companies Act 2006.

### **Non-financial information operating data**

The non-financial operating data included in this Base Prospectus has been extracted without material adjustment from the management records of the Issuer and is unaudited.

### **Rounding**

Percentages and certain amounts in this Base Prospectus, including financial, statistical and operational information, have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

### **Market, economic and industry data**

Certain information in this Base Prospectus has been sourced from third parties. The Issuer confirms that all third-party information contained in this Base Prospectus has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Base Prospectus, the source of such information has been identified.

### **No incorporation of website information**

The contents of the Issuer's website, any website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Base Prospectus, and investors should not rely on such information.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “**necessary information**” means, in relation to any Tranche of Notes, the necessary information which is material to investors for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

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

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

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise.

## OVERVIEW OF THE PROGRAMME

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

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

<b>Issuer:</b>	OSB GROUP PLC
<b>Issuer’s Legal Entity Identifiers (LEI):</b>	OSB GROUP PLC: 213800ZBKL9BHSL2K459
<b>Website of the Issuer:</b>	<a href="https://www.osb.co.uk/">https://www.osb.co.uk/</a>
<b>Arranger:</b>	Lloyds Bank Corporate Markets plc
<b>Dealers:</b>	Lloyds Bank Corporate Markets plc, Citigroup Global Markets Limited, NatWest Markets Plc, Goldman Sachs International and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Principal Paying Agent, Calculation Agent, Transfer Agent and Registrar:</b>	Citibank, N.A., London Branch
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series (as defined below) of Notes issued under the Programme. See “ <i>Risk Factors</i> ”.
<b>Admission to Listing and Trading:</b>	Applications have been made for Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA and to trading on the Market.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of such Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Programme Amount:</b>	Up to £3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes issued by the Issuer may be outstanding at any one time.  The Issuer may increase the Programme Limit in accordance with the terms of the Programme Agreement.

**Issuance in Series:**

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

**Final Terms or Drawdown Prospectus:**

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

**Forms of Notes:**

Notes may be issued in bearer form or in registered form.

***Bearer Notes***

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

Each Temporary Global Note will be exchangeable for a Permanent Global Note. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form (“**Definitive Notes**”) in accordance with its terms. Definitive Notes will, if interest-bearing, have interest coupons (“**Coupons**”) attached and, if appropriate, a talon (“**Talon**”) for further Coupons.

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

***Registered Notes***

Each Tranche of Registered Notes will be represented by either (a) Individual Certificates; or (b) one or more Global Certificates.

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

the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

**Currencies:**

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

**Status of the Senior Preferred Notes:**

The Senior Preferred Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and constitute ordinary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. The Senior Preferred Notes and any Coupons relating thereto 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 each Holder of a Coupon relating to a Senior Preferred Note acknowledge and agree that the Senior Preferred Notes and any such Coupons rank *pari passu* with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Issuer, present or future (other than Senior Non-Preferred Notes and other obligations of the Issuer which rank or are expressed to rank junior to the Senior Preferred Notes and other than such deposits, loans or other obligations of the Issuer which are given priority pursuant to applicable statutory provisions), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case the Senior Preferred Notes and such Coupons will rank as provided in the Ranking Legislation for ordinary non-preferential debt generally.

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

The Senior Non-Preferred Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes of the Issuer and any Coupons relating thereto. The Senior Non-Preferred Notes of the Issuer 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 each Holder of a Coupon relating to a Senior Non-Preferred Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the holders of the Coupons (whether or not

attached to the relevant Notes) (the “**Couponholders**”) (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Senior Non-Preferred Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Senior Non-Preferred Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Senior Non-Preferred Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Senior Non-Preferred Note or any related Coupon, provided however that such rights and claims shall rank in the manner specified in Condition 3(b) (*Senior Non-Preferred Notes*).

**Status of the Tier 2 Capital Notes:**

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute tertiary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Tier 2 Capital Notes and any Coupons relating thereto rank junior to the Senior Non-Preferred Notes of the Issuer and any Coupons relating thereto. The Tier 2 Capital Notes of the Issuer rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Tier 2 Capital Note or any beneficial interest therein, each Holder of a Tier 2 Capital Note and each Holder of a Coupon relating to a Tier 2 Capital Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Tier 2 Capital Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Tier 2 Capital Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Tier 2 Capital Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Tier 2 Capital Note or any related Coupon, provided however that such rights and claims shall be subordinated as provided in Condition 3(c) (*Tier 2 Capital Notes*) and in the Trust Deed to all Senior Claims but shall rank in the manner specified in Condition 3(c) (*Tier 2 Capital Notes*).

**Issue Price:**

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

<b>Specified Denominations:</b>	The Notes may be issued in such denominations as may be specified in the relevant Final Terms, save that no Notes may be issued under the Programme which have a denomination of less than €100,000 (or its equivalent in any other currency at the relevant Issue Date).
<b>Maturities:</b>	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Interest:</b>	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate, a resetting rate or a floating rate (or a fixed/floating rate or floating/fixed rate).
<b>Fixed Rate Notes:</b>	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
<b>Reset Notes:</b>	Reset Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-swap rate for the relevant Specified Currency, a benchmark gilt rate or another reference bond rate, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their principal amount or at a discount to their principal amount and will not bear interest.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest determined separately for each Series by reference to a reference rate appearing on the agreed screen page of a commercial quotation service, subject to Condition 9 ( <i>Benchmark Discontinuation</i> ), as adjusted for any applicable margin specified in the relevant Final Terms. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
<b>Benchmark Discontinuation (in respect of Floating Rate Notes and Reset Notes):</b>	Notwithstanding the fallback provisions provided for in Condition 5(d) ( <i>Fallback – Mid-Swap Rate</i> ), Condition 5(e) ( <i>Fallback – Benchmark Gilt Rate</i> ), Condition 6(c) ( <i>Screen Rate Determination – Floating Rate Notes other than Floating Rate Notes referencing SONIA</i> ), Condition 6(d) ( <i>Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)</i> ) or Condition 6(e) ( <i>Screen Rate Determination – Floating Rate Notes Referencing SONIA (Index Determination)</i> ), if a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Final Terms, then the Issuer

may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Notes and the application of an adjustment spread (which could be positive or negative or zero)). See Condition 9 (*Benchmark Discontinuation*).

**Redemption:**

Unless previously redeemed or purchased and cancelled or substituted Notes will be redeemed at their Final Redemption Amount, together with accrued and unpaid interest (as specified in the relevant Final Terms) on the Maturity Date.

**Optional Redemption:**

Notes may be redeemed before the Maturity Date at the option of the Issuer (as described in Condition 10(b) (*Redemption at the option of the Issuer*)), to the extent (if at all) specified in the relevant Final Terms, subject to obtaining Supervisory Permission (unless, in the case of Senior Preferred Notes, not required by the Conditions) for redemption and complying with certain pre-conditions (see Condition 10(k) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes and Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) in the case of Senior Preferred Notes and Senior Non-Preferred Notes).

**Early Redemption:**

Except as described in “*Optional Redemption*” above, early redemption will only be permitted (a) for tax reasons, as described in Condition 10(c) (*Redemption for Tax Event*); (b) in the case of Tier 2 Capital Notes, for regulatory reasons, as described in Condition 10(d) (*Redemption for Capital Disqualification Event*), subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(k) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*)); and (c), in the case of Senior Preferred Notes and Senior Non-Preferred Notes (unless otherwise specified in the relevant Final Terms) if the Notes are fully or (if so specified in the relevant Final Terms) partially excluded from the Issuer’s minimum requirements for (i) own funds and eligible liabilities and/or (ii) loss absorbing capacity instruments, as described in Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*), subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*)).

**Substitution and Variation of Tier 2 Capital Notes:**

Unless otherwise specified in the relevant Final Terms, the Issuer may, upon occurrence of a Tax Event or a Capital Disqualification Event, either substitute all of the Notes for, or

vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(k) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*)). See Condition 10(n) (*Substitution and Variation of Tier 2 Capital Notes*)).

**Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes:**

Unless otherwise specified in the relevant Final Terms, the Issuer may, upon occurrence of a Loss Absorption Disqualification Event or a Tax Event, either substitute all of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes, subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*)). See Condition 10(o) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*)).

**Negative Pledge:**

None

**Cross Default:**

None

**Withholding Tax and Additional Amounts:**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall, (a) in the case of each Series of Senior Preferred Notes, unless the relevant Final Terms expressly specifies “Senior 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 (x) all Tier 2 Capital Notes and Senior Non-Preferred Notes and (y) each Series of Senior Preferred Notes for which the relevant Final Terms expressly specifies “Senior Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) only and not principal, pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 13 (*Taxation*).

**Substitution:**

Subject to Condition 18(e) (*Supervisory Permission*), the Trustee may in certain circumstances, without the consent of the Noteholders, agree to the substitution of the Issuer, as described in Condition 18(c) (*Substitution*). In the case of any substitution

of the Issuer, as provided above, the Trustee may agree, without the consent of Holders, to a change in the law governing the subordination and waiver of set-off provisions in the Conditions and the Trust Deed.

**Governing Law:**

English law.

**Ratings:**

As of the date of this Base Prospectus, Fitch has assigned the Issuer an issuer rating of BBB- and Moody's has assigned the Issuer an issuer rating of Baa3. Each of Fitch and Moody's is established in the United Kingdom and registered under the UK CRA Regulation.

As of the date of this Base Prospectus, Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) applicable to the Issuer or the rating(s) assigned to Notes already issued.

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

**Selling Restrictions:**

See "*Subscription and Sale*" below.

## RISK FACTORS

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

*Prospective investors should note that the risks described below are not the only risks the Issuer and the Group face, many of which relate to events and depend on circumstances that may or may not occur in the future. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

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

*Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this Risk Factors section.*

### **1. RISKS RELATED TO THE GROUP'S BUSINESS AND OPERATIONS**

#### **1.1 The Group's portfolio is concentrated in Buy-to-Let and specialist residential loans concentrated in London and the South East of England. The product and geographic concentration of credit risk could increase the Group's potential for loss.**

A significant proportion of the Group's portfolio is made up of loans and advances to Buy-to-Let and (to a lesser extent) new build properties and/or borrowers in London and the South East of England.

If a disruption to the residential housing and rental markets, disruptive environmental and social trends or events, or an adverse change in economic or political conditions or regulatory requirements were to adversely affect the mortgage lending market segment for Buy-to-Let or new build properties, or were to have a disproportionate effect on residential and rental property markets and/or borrowers in London and the South East of England, it is likely that the Group will experience deterioration in the volume of demand for its products. The Group would likely be disproportionately affected and be exposed to greater potential losses relative to other specialist banks operating in the same market segments but which have a more diversified portfolio, both in terms of loan products and geographic distribution.

Similarly, if such disruption or adverse change were to result in a disproportionate reduction of liquidity and/or downward pressure on valuations in the property market in London and the South East of England, the Group may experience an increase in impairments and losses that is disproportionate compared to that incurred by its peers.

Any such disruption or adverse change could have a material adverse effect on the business, financial condition, results of operations, and/or prospects of the Group.

## **1.2 The Group is exposed to risks relating to relationships with intermediaries.**

The Group is reliant on a network of intermediaries and has some oversight of intermediaries' interactions with prospective customers outside of its regulatory responsibilities. However, the Group is not responsible for the advice the intermediary gives in relation to product recommendation. There are a number of factors that an intermediary considers when recommending a product, including rate, personal circumstances, service and relationship with the lender. If intermediaries do not comply with applicable regulations or standards when selling the products, this may result in customer detriment and a poor customer experience, the Group's reputation could be harmed and it may suffer other adverse consequences. The Group's risk management processes include undertaking due diligence and other compliance checks as part of the onboarding process for new intermediaries and, thereafter, on an ongoing basis. These processes will help to reduce, but will not remove, the risks associated with the Group's relationships with intermediaries.

Furthermore, the Group could lose the services of intermediaries with whom it does business, for example, as a result of a change in market conditions, poor service or an uncompetitive proposition. This could lead to a loss or deterioration of relationships with intermediaries and could have a material adverse effect on the Group's business.

Additionally, in the event that market conditions were to change (for example as a result of (1) regulatory changes impacting the pricing of mortgage loans originated through intermediaries, the manner in which mortgages are distributed through intermediaries and the way in which fees are charged, (2) large banks, medium-sized banks and building societies competing for market share in more specialist market segments or (3) automated lending and underwriting decisions resulting in a decrease in borrowers relying on intermediaries for advice) and the Group were unable to keep pace with such changes, it is possible that the proportion of mortgage loans originated through intermediaries could decrease, resulting in the Group potentially being at a competitive disadvantage in its specialist market segments, which may have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

## **1.3 The business of the Group is reliant on third parties for a number of its key processes and functions.**

The Group is reliant on third party service providers for a variety of functions including, amongst other things, IT software and platforms, core reporting and data management systems, and panel management services. If the contractual arrangements with any of these providers are terminated for any reason or if a provider failed to provide these services or delivered them poorly, the Group would need to find and implement alternative arrangements, which it may not be able to do on a timely basis, on equivalent terms or without incurring significant amounts of additional costs or at all. This may cause material disruption to the Group's operations, resulting in customer detriment and/or claims by customers for financial loss and/or regulatory sanctions. In turn, this may have a material adverse financial and reputational impact on the Group and result in loss of custom from existing customers and/or an increased cost of funding, potentially limiting its flexibility to fund new mortgage lending due to lack of funding or making such lending more expensive. In addition, this may also impact lending decisions and volumes.

In addition, the business of the Group is reliant on the major UK banks which act as clearing banks and payment services providers. If, as a result of a failure by a clearing bank, borrowers were not to receive funds lent by the Group in a timely manner, such borrowers may be unable to complete on property purchases. Equally, as a result of a failure by a clearing bank, customers of the savings banks of the Group may not receive principal or interest paid in a timely manner and/or the Group may not receive principal or interest paid to it by underlying borrowers in a timely manner. There can be no assurance that such failures will not occur or that the general level of service provided by such clearing banks or payment services providers will not deteriorate. Such failures in service levels could give rise to reputational damage, which

could adversely affect the Group and its business prospects. In addition, the fees that the clearing banks and payment services providers charge the Group may rise, which may affect the pricing and therefore the attractiveness of the saving products of the Group and therefore its ability to raise funds rapidly through securing new retail savings deposits and/or have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

**1.4 The Group is dependent on its digital decision-making platforms and the design and application of their risk models and underwriting parameters and is exposed to automated decision and interest model risks arising from undetected design flaws or unforeseen events.**

The Group is increasingly dependent on its digital decision-making platforms to pursue its strategy of delivering sustainable growth by leveraging, among other things, its ability to deliver rapid, consistent and efficient underwriting decisions. In particular, the Charter Court Business is heavily reliant on platforms designed to capture the credit and underwriting expertise of the management of the Group and to apply complex risk models to create an automated decision-making process that is able to make determinations based on a complex set of parameters and criteria derived from bespoke scorecards and codified underwriting policies, ensuring that the decision generated falls within the level and types of risk that the Group is willing to accept to achieve its business objectives within its defined risk appetite. The OSB Business also uses digital decision-making platforms to ensure that underwriting decisions meet the criteria set out in the OSB Business' underwriting policies but in contrast to the Charter Court Business, these platforms do not create an automated decision-making process. Instead, the OSB Business relies primarily on manual underwriting and, in selected brands, a non-automated credit score to support lending decisions and so is not materially exposed to the risks associated with digital decision-making.

Credit risk models seek to determine relative credit quality and are used in the lending decision-making process and to help assess the credit risk profile of mortgage portfolios and for other related purposes, such as stress testing. There is a risk that an adverse outcome occurs as a direct result of undetected or undetectable latent weaknesses or failures in the design or use of any such automated decision-making platforms and/or models (including as a result of events unforeseen during the design of the platform and risk models) that have not yet become apparent.

Additionally, once the Group has identified a design flaw or latent weakness in the platform software or its risk models, or has determined that unforeseen economic, political or market conditions or regulatory action have resulted in a need to recalibrate its underwriting criteria or its risk appetite and/or offer new products, the platforms and model may not be capable of being updated immediately or even reasonably promptly, potentially resulting in the Group underwriting mortgage loans that do not satisfy its existing risk appetite or meet its affordability criteria, potentially exposing it to increased risk of impairments and losses, to regulatory sanctions and increased capital requirements. Equally, a design flaw or latent weakness in the platform software or its risk models, or failures in the implementation of the instructions by third party service providers, may result in the digital decision-making platforms of the Group turning down applications that would otherwise have fallen within the risk appetite and underwriting policies, resulting in the loss of profitable opportunities. The Group may also be required to hire additional employees and/or divert other resources to manage an increased manual underwriting workload while the platforms are updated to correct any problems identified, which may result in a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

Further, as with many automated systems of this kind, the Group's decision-making platforms and the associated risk models depend on the accuracy and reliability of information submitted by intermediaries. The platforms and risk models are not designed primarily to detect fraud and may not do so.

### **1.5 The Group is exposed to operational risks related to the failure of internal processes, people and systems to deal with unexpected external events.**

Operational risks are inherent in the day-to-day operational activities of the Group and may result in direct or indirect losses that could adversely impact the Group's business despite the processes and systems that the Group implements to address such risks. These losses may result from both internal and external events and risks. Such internal events include, but are not limited to, operational failures and other risks in respect of the Group's internal systems and technology, as described further below in this risk factor. Unexpected external events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, public health crises (for example, pandemics) extreme weather events, political, security and social events and failings in the financial services industry.

The Group may be exposed to extreme and unpredictable events which may result in a material or systemic loss, business interruption or significant reputational damage.

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

The Group may look to implement new operational processes and systems to assist in responding to market developments. Due to the scale and complexity of such projects, the Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

The Group's operations are dependent on its IT systems, and there is a risk that such systems could fail. There can be no assurance that the Group's IT systems will continue to be able to support a significant increase in online traffic. The Group has in place business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems. However, should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, there may be a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

### **1.6 The business of the Group is subject to inherent risks concerning the availability and cost of liquidity and funding in the event of severe macroeconomic disruption, particularly if the availability of traditional sources of funding such as retail savings or its access to wholesale funding markets becomes limited and/or becomes more expensive.**

Extreme market disruptions could result in a prolonged and severe restriction on the ability of the Group to access funding and a prolonged and severe decline in consumer confidence, resulting in high levels of withdrawals by retail savings customers which could affect the ability of the Group to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, and/or to fulfil its commitments to lend. In such extreme circumstances, the Group may not in the longer term be in a position to continue to operate without additional funding support.

The risks concerning the availability of funding in the event of extreme market disruptions arise as a result of the maturity transformation (that is, the practice of borrowing money on shorter timeframes than money is lent out) role that the Group will perform and are dependent on factors such as maturity profile, composition of sources and uses of funding and the quality and size of the liquidity portfolio. Broader market factors, such as wholesale market conditions and depositor and investor behaviour, are also contributing factors. If access to funding should become constrained for UK financial institutions for a prolonged time, the cost of funding for the Group may increase as competition for retail savings would likely intensify and/or the cost of accessing the wholesale markets may increase or wholesale market funding may otherwise be unattractive or unavailable.

Retail savers are a significant source of funding for the Group. The on-going availability of retail savings funding is dependent on a variety of factors outside the Group's control, such as general economic conditions (including inflation), market volatility, the availability and extent of deposit guarantees, other competitors' offerings in the savings market and the confidence of retail savers in the UK banking system and in the Group in particular. Deterioration of these or other factors could lead to a reduction in the Group's ability to access retail savings funding on appropriate terms in the future. Given the relative size of the Group's retail savings base, it will be particularly exposed to any serious loss of confidence by its retail savers which results in significant withdrawals of deposits/savings.

The Group maintains a range of wholesale funding options, including securitisation programmes, warehouse facilities, unsecured debt issuance programmes, repo and sale of existing held notes. Additionally, the Group has drawn around £4.2 billion under the Bank of England's term funding scheme with additional incentives for small and medium-sized enterprises ("TFSME"), which offered four year funding at interest rates at (or very close to) the Bank of England's base rate. The availability of wholesale funding depends on a variety of factors including market conditions, the general availability of credit (in particular to the financial services industry), the volume of trading activities, and funding markets' assessment of the Group's credit strength. These and other factors may limit the Group's ability to raise funding in wholesale markets which could result in an increase in the Group's cost of funding, adversely affect the Group's ability to refinance its TFSME funding or have other adverse effects on the Group's business, financial condition, results of operations and/or prospects.

#### **1.7 The Group may be subject to privacy or data protection failures and cybercrime.**

The Group is subject to regulation regarding the use of personal data (including, in particular, the UK General Data Protection Regulation). The Group processes large amounts of personal data as an integral part of its business and, therefore, must comply with strict data protection and privacy laws in the jurisdictions in which the Group operates. The Group seeks to ensure that appropriate governance, third party vendor due diligence policies and procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers. Notwithstanding such efforts, the Group remains exposed to the risk of a data breach in which such personal data is wrongfully appropriated, lost or improperly disclosed in breach of data protection legislation. If the Group or any of the third party service providers on which it relies fails to store, handle or transmit personal data in compliance

with relevant laws and regulations or if any damage to or loss or inadvertent deletion of personal data were otherwise to occur, the Group would be at risk of significant regulatory liability and potential litigation.

The Group could also be at risk of cyber-crime. Although the Group implements security measures designed to mitigate this risk, the Group and/or third party service providers on which it relies could be a target of cyber-attacks designed to penetrate network security or the security of internal systems, misappropriate proprietary information or customer information and/or cause interruptions to the Group's services.

If the Group or any of the third party service providers on which it relies fails to store, handle or transmit personal data in compliance with relevant laws and regulations and/or an actual or perceived breach of the Group's network security occurs, it may expose the Group to the loss of information, litigation, regulatory liability and damage to its reputation, which may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. Such issues could also divert the efforts of the Group's technical and management personnel.

#### **1.8 The Group may be subject to fraudulent activity.**

The Group could be at risk of either internal or external fraud related events, which can be described as wrongful or criminal deception by a person which is intended to result in inappropriate financial gain or benefit by such person at the detriment of the Group or its customers. The Group has dedicated systems and controls that are deployed across its product range in order to detect and prevent the exposure to fraud through the customer lifecycle. All new to business applications are subject to a range of controls to identify and mitigate fraud. Customer activity is monitored in order to detect suspicious activity or behaviour that may be indicative of fraud. These controls are further supported by documented policies and procedures that are managed by experienced employees in a dedicated Financial Crime function. Despite these systems and controls, the Group remains exposed to the risk of any future fraud related events, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

#### **1.9 Reputational risk could adversely affect the Group.**

The Group's reputation is an important asset, which may be adversely affected due to factors such as unethical practices, adverse regulatory actions, customer or broker dissatisfaction and complaints or negative/adverse publicity.

A deterioration of reputation may potentially lead to a loss of trust and confidence that the Issuer's stakeholders place in it as a responsible and fair provider of financial services, and could cause harm to the Group and its business prospects, including its ability to attract and retain customers, which in turn could affect the ability of the Issuer to meet its obligations under the Notes.

To mitigate this risk, the Group culture and commitment to treating customers fairly, and being open and transparent in communication with key stakeholders. Further, there are established processes in place to proactively identify and manage potential sources of reputational risk. Notwithstanding this, there can be no assurance that the Group will be successful in avoiding damage to its business from reputational risk.

#### **1.10 A proportion of support operations of the Group are based in India and could be affected by a number of economic, political and other factors affecting India, which are beyond the control of the Group.**

The Group's strategy and operations in India, which are conducted by OSB India Private Limited (a wholly-owned subsidiary of the Issuer based in Bangalore, India ("OSB India")), could be adversely affected by economic, political, legal and regulatory changes in that country. In particular, foreign companies operating in India (directly or indirectly) could be subject to changes in applicable legislation and changes to the tax

environment and the regulatory framework in which they operate. It is not possible to predict what effect such changes could have on the Group, but any reduction in OSB India's ability to provide support services to the rest of the Group could increase the Group's costs significantly and could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. In particular, a material proportion of the cost efficiencies and operational enhancements that are expected to be achieved by leveraging the Group's lending, savings and support operations and capabilities in India could be adversely affected by economic, political, legal and regulatory changes in India.

**1.11 The accounting policies and methods of the Group will be critical to how it reports its financial condition and results of operations; the Group management makes estimates about matters that are uncertain.**

The Group's accounting policies and methods are fundamental to how the Group records and reports its financial condition and results of operations. The preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly affect the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include (but are not limited to) financial assets and liabilities at fair value through profit or loss, impairment provisions on credit exposures and effective interest rate assumptions.

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect there could be a significant loss to the Group beyond that expected or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the judgements of the Group and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

**1.12 A downgrade of the credit rating assigned by any credit rating agency to the Issuer or the Group could adversely affect the Group's operations, financial condition and prospects.**

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Credit rating agencies regularly evaluate the Group, and their credit ratings of the Group and the Group's issued debt are based on a number of factors, including the Group's financial strength, the strength of the UK economy and conditions affecting the financial services industry generally.

Any downgrade in the external credit ratings assigned to the Group or any of the Group's debt securities could have an adverse impact on the Group. In particular, a downgrade in the Group's credit ratings could increase its borrowing costs and could require it to post additional collateral or take other actions under some of derivatives, loan facilities or other financial contracts, and could limit its access to capital markets and have a material adverse effect on its operations, financial condition and prospects. For example, a credit rating downgrade could have a material adverse effect on the Group's ability to sell or market certain products, engage in certain longer-term or derivatives transactions and retain its customers or investors, particularly those who need a minimum rating threshold in order to transact or invest.

Any of these results of a credit rating downgrade could, in turn, result in outflows and reduce the Group's liquidity and have an adverse effect on the Group, including its operations, financial condition and prospects. However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, whether any downgrade precipitates changes to the way that the financial institutions sector is rated, and assumptions about the ratings of other financial institutions and the potential behaviours of various customers, investors and counterparties. Actual outflows will also depend upon certain other factors including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

There can be no assurance that the credit rating agencies will maintain the Group's current credit ratings or outlooks. A failure to maintain favourable credit ratings or outlooks could increase the Group's cost of funding, adversely affect the Group's interest margins, and reduce its ability to secure both long-term and short-term funding. If a downgrade of a Group member's long-term credit ratings were to occur, it could also impact the short-term credit ratings of other members of the Group. The occurrence of any of these events could have a material adverse effect on the Group's operations, financial condition and prospects.

### **1.13 The Group is exposed to risks arising from climate change**

The Group is exposed to physical risks from climate change relating to specific weather events, such as storms and flooding, and longer term shifts in the climate, such as rising sea levels. Physical risks may impact the Group through, for example, adverse movements in the value of certain properties that are in coastal and low-lying areas or located in areas prone to increased subsidence and heave. The Group is also exposed to transitional risks arising from the process of adjustment towards a low-carbon economy such as tightening energy efficiency standards for domestic and commercial buildings. Transitional risks which the Group is exposed to includes, but is not limited to, potentially adverse movements in the value of properties requiring substantial updates to meet future energy performance requirements. The physical and transitional risks associated with climate change, as well as the reputational risks arising from a failure to meet changing societal, investor and regulatory demands relating to climate change, could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

## **2. RISKS RELATING TO THE GROUP'S INDUSTRY**

### **2.1 The Group is subject to risks related to increases and decreases in UK property prices and rents, and risks resulting from such increases and decreases (such as customer defaults or recoveries).**

The primary activity of the Group is to provide mortgages to retail customers and to small and medium sized enterprises in the UK secured against property. The value of that security is influenced by UK property prices. A substantial proportion of the net income of the Group derives from interest paid on its mortgage portfolio. Any deterioration in the quality of the mortgage portfolio of the Group could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults and recovery proceedings against customers. An increased number of defaults and recovery proceedings could lead to higher impairment provisions and losses being incurred by the Group. Higher impairment provisions could reduce the Group's capital and its ability to engage in lending and other income-generating activities as well as result in

increased capital requirements. As a result, a decline in property prices could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. Furthermore, a fall in property prices could negatively impact the capital of the Group.

Borrowers of Buy-to-Let mortgages have benefitted in recent years from a combination of low interest rates, rising property prices and increasing rents. If rental rates were to decrease or remain stagnant or adversely affected by government intervention in the rental market, interest rates were to increase, further tax changes were to reduce the post-tax return on Buy-to-Let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or property prices, the credit performance of the Buy-to-Let mortgage book of the Group could deteriorate, which in turn could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

## **2.2 The Group will be significantly affected by the UK economic environment. Adverse developments in the global financial markets could have a detrimental effect on the Group's earnings and profitability.**

As customers of the Group are predominantly based in the UK, the Group is significantly exposed to the condition of the UK economy. In particular, factors such as UK property prices, levels of employment, interest rates, inflation and changes in consumers' disposable income can each have a material effect on demand for the Group's products. In addition, levels of retail and SME borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, employment trends, the level of inflation, market interest rates and the broader state of the UK economy. The Group will be directly and indirectly affected by geopolitical developments, market conditions in the UK and other economies and the state of the global financial markets both generally and as they specifically affect financial institutions, including without limitation as a result of the war between Russia and Ukraine.

Should macroeconomic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely affect the business, financial condition, results of operations and/or prospects of the Group. In particular, a significant rise in UK unemployment levels could increase the risk of borrower defaults, given that the associated negative impact on borrowers' or tenants' incomes may result in borrowers being unable to make mortgage repayments on time or at all. In addition, rising inflation, interest rates and rents may put further pressure on the ability of borrowers to service their mortgage and/or tenants to pay their rent.

The Group calculates loan loss provision requirements in accordance with IFRS 9, whilst regulatory credit risk capital calculations are undertaken using the standardised methodology. Both calculations are driven by total loans outstanding, arrears, default levels and house price movements. If the UK macroeconomic outlook were to deteriorate, lower levels of affordability are likely to result and would have the effect of increasing levels of arrears and customer defaults, which in turn would lead to increased loan loss provisions, write-off levels and capital requirements. If property prices also fell, causing loan to value ratios to increase, then loan loss provision levels and capital requirements would also increase, which would adversely impact the financial performance of the Group. However, these adverse impacts may partially be offset by lower lending volumes, which would in turn reduce the total loans and advances outstanding and the capital required to cover expected and unexpected losses.

In response to the potential macroeconomic risks posed by the COVID-19 pandemic, a number of measures have been introduced to mitigate the impairment and capital risks posed to the Group's financial position. The PRA published a statement on 30 June 2020 regarding a package of measures, in response to the impact of COVID-19, relating to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 ("CRR I"), as amended on or prior to 31 December 2020 (including, without limitation, by Regulation (EU) 2019/876 ("CRR II")), and any regulation or implementing technical standards and other delegated or implementing

acts adopted under CRR I and CRR II, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time (together, “CRR”). Of particular note were revised transitional arrangements for the capital impact of IFRS 9 Expected Credit Loss (ECL) accounting, and an acceleration of the date of application of certain CRR II measures which were adopted on 28 June 2021. These included a revised small and medium-sized enterprises (SME) support factor. Both of these measures have partly helped the Group mitigate capital inflation risks arising from a deterioration in the UK economy as a result of the COVID-19 pandemic. The Financial Policy Committee (the “FPC”) has now announced that it will increase the countercyclical capital buffer rate from one to two per cent, which will become binding from 5 July 2023.

Additionally, volatility in credit, currency and equity markets globally may result in uncertainty that could negatively affect the Group. Market volatility may lead to, the following (among other factors):

- (A) increased cost of funding and/or reduced availability of funding;
- (B) deterioration in the value and liquidity of assets (including collateral);
- (C) inability to price or difficulty in pricing certain assets;
- (D) higher provisions for bad and doubtful debts;
- (E) an increased likelihood of customer and counterparty default and credit losses;
- (F) mark-to-market losses in the value of assets and liabilities;
- (G) economic exposures from hedging activities and inability to hedge;
- (H) increased cost of insurance and/or lack of available insurance;
- (I) lower growth, business revenues and earnings; and
- (J) legislative change.

### **2.3 Risks in relation to the UK’s exit from the EU.**

Under the terms of the EUWA, the UK withdrew from membership of the EU on 31 January 2020 and a Trade and Cooperation Agreement with the EU came into effect on 31 December 2020, setting out the terms of the future trading relationship between the EU and UK. Notwithstanding the conclusion of this agreement with the EU, the impact of the UK’s withdrawal from the EU on the broader UK economic environment remains uncertain. This uncertainty could negatively impact global financial markets, consumer confidence and the UK economic environment itself. As the Group’s lending activity is solely focused in the UK, it will be disproportionately impacted by any risks emerging from changes in the UK macroeconomic environment. This could include reduced demand for the Group’s products which could, in turn, result in a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

The Group’s future financial condition and/or results of operations are likely to continue to be affected by the factors described above in this risk factor which, should they have a material adverse effect on consumer

confidence, spending or demand for credit, could have a material adverse effect on the business, capital position and/or prospects of the Group.

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

#### **2.4 Rising interest rates could result in increased loan losses, which could adversely affect the financial and operational performance of the Group.**

Rising interest rates would put pressure on existing and new borrowers whose loans are linked to the Bank of England Base Rate, the Sterling Overnight Index Average (“SONIA”) or other interest rate benchmarks, or borrowers who come to the end of an incentive period in an environment of higher market rates and who may have become accustomed to the current low interest rate environment.

Accordingly, borrowers with a loan that is subject to a variable rate of interest or where the interest rate adjusts following an initial fixed rate or low introductory rate are exposed to increased monthly payments as and when their mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). In an increasing interest rate environment, borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates and this could lead to an increase in arrears in the portfolios of the Group as well as an increase in their respective impairment charges.

If rising interest rates cause borrowers to be unable to repay their mortgage loans, that could ultimately lead to a correction in property prices and higher retail loan losses, which could materially adversely affect the financial and operational performance of the Group.

#### **2.5 The Group faces risks from the highly competitive environment in which it will operate.**

The market for financial services in the UK faces many competitive pressures and these pressures are expected to continue in response to competitor behaviour, consumer expectations, changing consumer demographics, technological changes, the effect of increasing market consolidation and new market entrants, regulatory actions and other factors. In particular, the market in which the Group operates has seen and is expected to see increasing market consolidation. In combination, the results of operations, digital capability, margins and returns of the Group will be put under increasing pressure through price pressure, reductions in fees and charges, increased marketing and other related expenses, investment demands, regulatory requirements and changes to capital requirements.

The Group faces competition from established financial services providers as well as new market entrants, including “challenger banks” and “neo banks” with specific areas of market focus, and non-bank competitors. Competition in the UK mortgage market, including from challenger banks seeking scale and growth over a short time, is continuing to create downward price pressure on mortgage and other lending rates. The downward price pressure has increased following the introduction of ring-fencing legislation in the UK, with some ring-fenced competitor banks deploying excess liquidity in the broker mortgage market.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products and services to keep pace with industry developments and to meet customer expectations.

In seeking to price products competitively to attract and retain new customers, the Group must consider capital requirements and the overall credit quality of proposed loans and advances. The amount of capital required is based on the risk weighting of the asset in question.

**2.6 The introduction of the Issuer as the ultimate holding company of the Group has resulted in OSB's Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments no longer being recognised in the consolidated regulatory capital resources of the Group although they are recognised at OSB level. The effect of this on the regulatory capital position of the Group has and will be fully or partly mitigated, but the implementation and timing of such mitigating actions are uncertain and dependent on factors outside of the Group's control.**

Prior to the Issuer being introduced as the ultimate holding company of the Group, OSB had issued Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments to third party investors resulting in total Additional Tier 1 capital of £60,000,000, total Tier 2 capital of £45,700,000, being the eligible capital value after applying regulatory deductions of £1,700,000 to the gross issued amount of Tier 2 Capital Instruments of £47,400,000, and total regulatory capital of £1,577,400,000, each as at 30 June 2020. Following implementation of the Scheme and the introduction of the Issuer as the ultimate holding company of the Group, these instruments ceased to be recognised in the consolidated regulatory capital resources of the Group as a result of the application of the CRR, however there was no impact on the recognition of OSB's Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments by OSB on an individual basis.

The Group has reviewed the terms of its legacy instruments issued by OSB to ensure they do not contain any of the features referred to as potential sources of 'infection risk' and the Group does not consider there to be issues with any significant consequences for resolvability. Subsequent to the introduction of the Issuer as the ultimate holding company of the Group, the Group has been exploring and continues to explore its options in relation to these instruments which include substitutions (substituting the Issuer for OSB as the issuer), novations, redemptions/re-issuances and an internal reorganisation. Since the introduction of the Issuer as the ultimate holding company of the Group, (i) OSB has redeemed certain of its Additional Tier 2 Capital Instruments (including £22,000,000 in July 2021, £10,000,000 in July 2022 and instruments with an original principal balance of £703,403 in September 2022), and tendered and cancelled £60,000,000 of its Additional Tier 1 Capital Instruments in October 2021, and (ii) the Issuer has issued £150,000,000 new Additional Tier 1 Capital Instruments in October 2021. The Group will continue to review opportunities to redeem legacy instruments. However, the implementation of any such mitigating actions which the Group may wish to undertake and their timing are uncertain and dependent on factors outside of the Group's control, such as the requirement to obtain regulatory and/or third party consents. The failure to effect such mitigating actions may have an ongoing material adverse impact on the regulatory capital position of the Group.

**3. RISKS RELATING TO REGULATION AND LEGISLATION**

**3.1 The Group will be subject to MREL requirements, the ultimate quantum, cost and timing of which may change.**

UK banks are required to meet at all times minimum requirements for own funds and eligible liabilities ("MREL"). There is no common level of MREL applicable to all or a category of institutions; it is an institution-specific requirement. The Bank of England is required to make a separate determination on a case-by-case basis of the appropriate MREL requirement for each resolution group (and for certain individual firms within such resolution groups) in the UK, taking into account certain specified criteria, including the resolvability, resolution strategy, risk profile, systemic importance and other characteristics of each institution (such as its business and funding models), after consultation with the PRA and FCA (as applicable). These rules are designed to ensure relevant institutions have sufficient loss absorbing capacity

to ensure continuity of critical functions without making recourse to public funds and to facilitate the use of the bail-in tool in a resolution scenario.

The Bank of England sets MREL annually for all UK banks and MREL must be set on both an individual bank and group consolidated basis. Generally, for smaller banks that would be subject to modified insolvency if they failed, the MREL requirement can be met by achievement of the firm's minimum regulatory capital requirements as a going concern (excluding buffers), while larger banks with a resolution strategy involving the use of bail-in or partial transfer tools are required to hold additional MREL resources.

The preferred resolution strategy for the Group is bail-in with a single point of entry (being the level of the Group at which bail-in powers would be exercised) at the level of the Issuer. As such, the Group is subject to an external group consolidated MREL requirement. CCFSL and OSB are subject to internal individual MREL requirements due to their designation as 'material subsidiaries' of the Issuer.

The Bank of England has given the Group a transitional period until 13 July 2024 to meet its interim MREL requirement and until 13 July 2026 to meet its new end-state MREL requirement. Until 13 July 2024, both the group consolidated MREL requirement and the internal MREL requirements that apply to OSB and CCFSL have been set at minimum regulatory capital requirements. From 13 July 2024, those requirements have been set at 18 per cent. of risk weighted assets and from 13 July 2026 as two times the binding minimum capital requirement. The Bank of England has stated that the end-state MREL requirement will not be specified as a percentage of risk weighted assets until the interim MREL is binding upon the Group.

However, at present, the Group is not subject to any binding MREL requirements in excess of minimum capital requirements; the 2023-2026 MREL requirements (including the interim and end-state MRELS applicable from 13 July 2024 and 13 July 2026 respectively) have been set on an indicative basis at this stage. The Group's MREL requirements are, therefore, subject to change, and this will depend on a number of factors, including (but not limited to) changes to OSB and CCFSL and their balance sheets, changes to the preferred resolution strategy applicable to OSB and CCFSL and any change in PRA or international policy that alters the ways risk weighted assets or the exposure measure of the leverage ratio (should it become applicable) are assessed. Further, the Bank of England is not bound by the indicative requirements. Consequently, the MREL regime applicable to the Group, including the quantum and timing of future MREL requirements for the Group, may be subject to change.

The Group will also need to confirm and execute its strategy to achieve MREL requirements by the deadlines set by the Bank of England. The cost of MREL for the Group and the successful execution of its MREL strategy (for example, the issuance of MREL-qualifying debt instruments) will depend on, amongst other things, market conditions over which the Group will not have control.

Consequently, it is difficult to predict the full effect that the implementation of interim and end-state MREL requirements may have on the Group until they have been fully implemented. Compliance with MREL may delay, limit or restrict the execution of the Group's strategy and may have a material adverse effect on the Group's business, capital structure, financial condition, results of operations and/or prospects, and may increase compliance costs. MREL requirements are expected to continue to have an impact across the market, and there is a risk that the relative impact may, depending on the position of the Group's competitors, give rise to a reduction in competitiveness of the Group.

The Group has established a comprehensive programme to ensure that all aspects of the Bank of England's Resolvability Assessment Framework ("RAF") are understood and integrated into the Group's policies and procedures for assessing the Group's on-going resolution capabilities. The Group's response to the three primary areas of the RAF (being: (i) Assessment & Disclosure; (ii) Resolvability Capabilities; and (iii) Assurance & Risk Management), has been developed in a proportionate and considered manner. In particular, the Group will leverage its existing risk and operational resilience capabilities to ensure effective compliance with the RAF.

### **3.2 The Group intends to seek approval from the PRA of its internal models to calculate its regulatory capital requirements. Failure to achieve such approval could have a materially adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.**

The amount of capital required to be held by the Group is based on the risk weightings of its relevant assets. The methodology to determine the amount of capital required to be held by UK banks is currently based on EU legislation, as now forms part of UK domestic law, which in turn broadly implements the Basel III capital framework. There are two approaches to calculating the risk-weighting for credit risk to be attributed to a bank's assets: the "standardised approach", which requires that capital be held against exposures based on a prescribed set of risk weights, according to requirements set in the legislation; and the "internal ratings based approach", which allows banks to develop their own models to quantify required risk weights for exposures (the use of such models by UK banks must be approved by the PRA).

The Issuer is in discussions with the PRA regarding approval of OSB's and CCFSL's internal models for their respective mortgage portfolios. The impact of receiving approval from the PRA of the Group's internal models for its mortgage portfolios (including any potential benefit) is uncertain, although the Group believes it could deliver more favourable capital treatment than would be the case if the Group remains subject to the standardised approach (in the event that it does not receive approval from the PRA for its internal models for its mortgage portfolios). Changes to the internal ratings based approach (including as a result of the UK's implementation of the Basel 3.1 standards) may, however, place a limit on the regulatory capital benefits that the Group may derive from using its own internal models relative to the standardised approach, which could have a material adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.

If the Group fails to achieve, or there is a delay in achieving, internal ratings-based accreditation of its internal models for its mortgage portfolios for any reason, it may be difficult for the Group to improve its capital management capabilities and may result in the Group being subject to less advantageous capital treatment arising as a result of proposed changes to the standardised approach. This may have a material adverse effect on, for instance, the pricing of its products, which could in turn have a material adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.

In addition, the potential implementation of new risk weights under the standardised approach as part of Basel 3.1 may increase the capital requirements to which the Group will be subject if the Group fails to achieve approval from the PRA of its internal models for its mortgage portfolios by the implementation date. This may mean that it will be difficult for the Group to compete effectively, which could have a material adverse effect on its business, capital position, financial condition, results of operations and/or prospects.

### **3.3 The Group is subject to prudential regulatory capital and liquidity requirements.**

The prudential regulatory capital and liquidity requirements to which the Group is subject are primarily set out in the CRR (as it now forms part of the domestic law of the UK, the "UK CRR") and UK rules and legislation implementing CRD IV. In addition, the Group is subject to additional requirements imposed by the Bank of England, the PRA and the FCA.

These requirements, or the way in which they are interpreted or applied may change, including as a result of changes to the way in which the PRA interprets and applies these requirements to UK banks. In particular, the Financial Services Act 2021 has given HM Treasury the power to make regulations revoking existing provisions of the UK CRR to enable the PRA to make rules reflecting the final Basel III standards. Both HM Treasury and the PRA have exercised these powers, with certain changes to the UK regulatory framework effective from 1 January 2022. The PRA and HM Treasury are currently consulting on their approach to the implementation of the remaining Basel III standards (referred to as Basel 3.1). It is expected that the rules implementing these changes would come into effect on 1 January 2025, except for where any

transitional measures apply. Until the final rules are published, it is not possible to say with definitive certainty what impact the changes will have on the Group's capital requirements, capital structure, business, financial condition and results of operations. The implementation of these changes, or other changes introduced to the prudential framework that applies to UK banks may, either individually or in aggregate, result in changes or enhancements to prudential requirements in relation to the capital, leverage, liquidity and funding ratios and requirements of the Group or of operating companies in the Group. Furthermore, certain of the prudential requirements that apply to the Group take into account, among other factors, macroeconomic indicators and may increase if such macroeconomic indicators change.

The Group sets its internal target amount of capital and liquidity based on PRA rules and guidance and following an assessment of its risk profile, market expectations and regulatory requirements in relation to both capital and liquidity. The Group may experience a depletion of capital resources through increased costs or liabilities incurred as a result of the crystallisation of other risks. If market expectations as to capital levels increase, driven by, for example, the capital levels or targets among other banks, or if new or amended legal or regulatory requirements are introduced, the Group may experience pressure to increase the amount of capital that it holds.

The Group is required to maintain certain capital ratios by applicable law, regulation and guidance. These capital ratios express the ratio between required capital resources and risk-weighted assets. Certain events are likely to affect the Group's capital ratios in differing ways. For example, Common Equity Tier 1 is likely to be affected by losses, increased costs or liabilities, write-downs and impairments or accounting charges, and the manner in which risk-weighted assets are calculated may be affected by changes to applicable law and regulation. It is also possible that the capital ratio that the Group is required to maintain may itself change as a result of changes in regulation that impose requirements for higher levels and quality of capital to be held and it is possible that the eligibility criteria for capital that the Group is required to hold may change as a result of changes to applicable law, regulation and guidance. Additionally, as the Group expands its operations and balance sheet, its capital requirements generally increase. Any such requirements for the Group to increase its capital resources could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

If the Group were to fail to meet its minimum regulatory capital or liquidity requirements, it may be subject to regulatory action or penalties, may be required to raise additional capital or liquidity (as applicable), may need to implement management actions to enhance its capital or liquidity position (as applicable), may be required to cease all or certain lines of new business and, in an extreme adverse scenario, may be required to implement its recovery plan or be subject to resolution action by the Bank of England (as the UK resolution authority). The ability of the Group to do business will be constrained to the extent that it does not maintain sufficient levels of capital. Moreover, if the Group were to maintain excess liquidity, or if the levels of liquidity it would be required to maintain were to increase significantly because of regulatory changes, this could reduce its overall profitability.

In addition, a shortage of capital or liquidity that arises in the longer term could affect the ability of the Group to pay liabilities as they fall due, and pay future dividends and distributions, and could affect the implementation of the Group's business strategy, affecting future growth potential. If, in response to any such capital shortage or to satisfy such future capital requirements, the Group raises additional capital through the issuance of share capital or other capital instruments, existing shareholders may experience a dilution of their holdings or reduced profitability and returns. Any inability of the Group to maintain its regulatory capital or liquidity requirements, or any legislative changes that limit the ability of the Group to manage its capital or liquidity effectively, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

### **3.4 The Group operates in a highly regulated industry that has increasingly come under regulatory and public scrutiny in recent years.**

The Group, in common with other financial services firms, has in recent years faced increased levels of regulation and greater regulatory and public scrutiny in respect of its businesses. Following the 2008 financial crisis, additional powers intended to protect consumers, ensure redress and strengthen financial stability have been granted to regulators. The principal regulators of the Group are the PRA (which is responsible for the prudential regulation and supervision of PRA-authorized firms, such as banks (including OSB and CFSL), insurers and major investment firms), the FCA (which is responsible for the prudential regulation of FCA-authorized firms, such as mortgage intermediaries, and the conduct regulation of PRA- and FCA-authorized firms) and the ICO (which is responsible for the regulation of data privacy). The PRA, FCA and ICO can apply a wide range of sanctions to firms (and individuals working for firms) found to be operating in breach of law or regulation, or in a manner deemed to pose a significant risk to their statutory obligations, including public or private censure, fines, regulatory proceedings and, in extreme cases, suspension or withdrawal of authorisation to operate particular parts of their business or prosecution. This heightened level of regulatory scrutiny and the increase in the volume of regulation has resulted in financial services businesses requiring larger compliance functions and more highly qualified risk and compliance personnel, and has added significantly to the costs of such business.

The industry-wide and firm-specific practices in relation to arrears, collections and forbearance procedures resulting in poor outcomes and financial distress for customers, in particular for those that are vulnerable, are an area of current regulatory focus. The practices within the regulated residential mortgage markets regarding both first and second charge mortgages are subject to active supervisory monitoring through market data analysis, complaints to businesses, notifications from businesses and multi-business thematic reviews. If the Group's arrears, repossession, forbearance and vulnerable customer policies and procedures are assessed to be misaligned to the individual needs of customers and regulatory expectations, the Group runs the risk of causing harm to its customers, particularly those experiencing financial hardship or vulnerable customers, with the potential for reputational damage, redress and other regulatory actions.

In June 2019, the PRA published the overall findings of its review into certain non-systemic deposit taking firms including OSB and CFSL, most of which exhibit faster asset growth than the market as a whole ("FGFs"). The review, amongst other things: highlighted the need for FGFs to strengthen stress analysis and stress management capabilities; recognised deficiencies in certain FGFs' stress modelling and growth assumptions; highlighted a lack of diversity in funding sources for a number of FGFs; drew attention to the execution and refinancing risks arising out of many FGFs' balance sheet growth targets requiring maximisation of funding from all available funding sources; and found that certain FGFs demonstrated weaknesses in credit expertise and control (with respect to risk appetite, collections, and underwriting).

The PRA subsequently published a supervisory statement and associated policy documents setting out its supervisory expectations in relation to non-systemic UK banks. Amongst other things, the supervisory statement highlights common issues with non-systemic banks regarding their business models, governance, conflicts of interest and independence, outsourcing and risk management and controls, explains how the PRA's approach to supervision of these banks evolves as these bank develops and sets out expectations regarding capital management, in recognition that non-systemic UK banks may depend on external capital support. The statement also sets out expectations regarding recovery and resolvability in the context of a bank exiting the market.

The PRA's increased focus on non-systemic deposit taking firms means that the Group may be required in the future to change its business model and/or procedures, with the potential for this to cause significant expense and to have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group, its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties to obtain or retain business, including the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Terrorism Act 2000 and the UK Bribery Act 2010. Monitoring compliance with anti-money laundering, counter-terrorist financing and anti-bribery rules can put a significant financial and operational burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted.

Although the Group believes that its policies and procedures are sufficient to comply with applicable anti-money laundering, counter-terrorist financing, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent money laundering or bribery, including actions by the Group's employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

The operations of the Group are heavily regulated and it must comply with numerous laws and regulations and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the Group and its members. Financial institutions and their employees have also been subject to customer complaints and regulatory investigation and/or enforcement action regarding mis-selling of financial products, adequacy of systems and controls, handling of customers in arrears and conduct leading to customer detriment and the mishandling of related complaints, which has resulted in disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution to affected customers, all of which result in costs and may require provisions in addition to those already taken.

In particular, failure to comply with the wide range of laws and regulations which apply to the Group may result in a number of adverse consequences, including:

- (A) substantial fines, penalties, injunctive relief and/or monetary damages (which may be difficult to quantify in advance) being imposed on one or more members of the Group;
- (B) regulatory investigations, reviews, proceedings and enforcement actions being taken against one or more members of the Group;
- (C) the Group being required to amend sales processes, product and service terms and disclosures, withdraw products and/or provide redress or compensation to affected customers;
- (D) the Group not being able to enforce contractual terms (either at all or as it had intended) or having contractual terms enforced against it in an adverse way;

- (E) civil or private litigation (brought by individuals or collectively) being brought against any member of the Group in the UK or another jurisdiction;
- (F) criminal enforcement proceedings being taken against any member of the Group; and/or
- (G) regulatory restrictions on the Group's business, any of which (alone or in tandem) may cause the Group to incur significant costs and/or record provisions in its financial statements.

Additional regulatory restrictions may also be placed on the Group, it may be required to hold additional capital and/or liquidity, and - in extreme cases - the FCA or the PRA may cancel or restrict the Group's regulatory authorisations altogether (thereby preventing or impeding it from carrying on certain of its businesses). There may also be harm to the Group's reputation.

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

In addition, the Group will be subject to risks associated with compliance with future laws and regulations, including in relation to taxation. The Group may not be able to definitively predict the impact of such changes (including, without limitation, the practical implementation of such changes by the courts and/or regulatory authorities), but compliance, or a failure to comply, with future laws and regulations could have a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

A significant proportion of current and anticipated English law and regulations currently derive from, or are designed to operate in concert with, EU law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. While the UK government plans to repeal those regimes and replace them with UK domestic measures, the Group cannot predict the direction or extent of any future changes or the extent of any future divergence between the UK and EU regulatory regimes. This may increase uncertainty and compliance costs for the Group.

### **3.7 The Group is subject to substantial and changing conduct regulations.**

The Group is exposed to many forms of conduct risk, which may arise in a number of ways. In particular:

- (A) if the Group fails to comply with any relevant conduct regulations (including, without limitation, the Consumer Duty (as defined below)), there is a risk of a material adverse effect on its business, financial condition, results of operations and/or prospects due to sanctions, fines or other actions imposed by the regulatory authorities; and
- (B) the Group may be subject to, for example, allegations of mistreatment of existing customers, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide redress to affected customers, any or all of which could

result in the incurrence of significant costs, may require provisions to be recorded in the financial statements of the Group and could adversely affect future revenues from affected products.

Moreover, businesses and other assets (including portfolios) acquired by the Group may not have been conducted, managed or originated in accordance with applicable laws or regulations or in a fair and reasonable way and the Group may be exposed to risks associated with such conduct to the extent they are not covered against losses in the relevant purchase agreements (for example, following the expiration of conduct warranties).

Failure to manage these risks adequately could lead to significant liabilities or reputational damage to the brands of the Group, which could have a material adverse effect on its business, financial condition, results of operations, prospects and/or relations with customers.

#### **4. RISKS RELATING TO BENCHMARK REFORM**

##### **4.1 The market continues to develop in relation to SONIA as a reference rate for Floating Rate Notes.**

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups continue to explore alternative reference rates based on SONIA, including various ways to produce term versions of SONIA (which seek to measure the market's forward expectation of an average SONIA rate over a designated term, as it is an overnight rate). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a SONIA rate issued under this Base Prospectus. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of the Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The nascent development of SONIA 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 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 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 securities, if Notes referencing SONIA become due and payable as a result of an event of default under Condition 14 (*Events of Default*), the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

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.

Further, if SONIA does not prove to be widely used in securities such as the Notes, the trading price of such Notes linked to SONIA may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

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

#### **4.2 Changes or uncertainty in respect of EURIBOR and/or other interest rate benchmarks may affect the value or payment of interest under the Notes.**

Various interest rate benchmarks (including the Euro Interbank Offered Rate (“**EURIBOR**”)) are the subject of ongoing national and international regulatory guidance and proposals for reform. Some of these reforms are already effective, including the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the “**EU Benchmark Regulation**”) and the UK BMR, whilst others are still to be implemented. The EU Benchmark Regulation and the UK BMR contain requirements with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union and the United Kingdom, respectively. In particular, the EU Benchmark Regulation and the UK BMR, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based or non-UK-based, as applicable, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities or UK-supervised entities, as applicable, of benchmarks of administrators that are not authorised or registered (or, if non-EU-based or non-UK based, as applicable, deemed equivalent or recognised or endorsed).

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to SONIA over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021 (as further described under Risk Factor 4.1 (*The market continues to develop in relation to SONIA as a reference rate for Floating Rate Notes*) above).

Separate workstreams are underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“**€STR**”) as the new risk free rate. €STR has been published by the ECB since October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system. Further, on 24 July 2020, the European Commission (“**EC**”) made a formal proposal to the European Parliament and the European Council to amend the EU Benchmark Regulation which would, amongst other things, give the EC the power to impose a statutory replacement rate where a benchmark whose cessation would result in significant disruption in the functioning of financial markets in the European Union ceases to be published. The proposal notes that, in determining the appropriate statutory replacement rate, the EC would have regard to the recommendations of the various risk-free rate working groups. Policy around benchmark reform continues to progress. On 11 May 2021 the euro risk free-rate working group published its recommendations, based on a public consultation which had showed widespread support for the fallback triggers proposed by the working group. For debt securities, the working group recommended that the replacement rate should be €STR with a

backward-looking lookback period methodology with an observation shift methodology and applying an adjustment spread based on a five-year historical median methodology.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. 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.

Based on the foregoing, prospective investors should in particular be aware that:

- (A) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be; and
- (B) if EURIBOR is discontinued or is otherwise unavailable, then in circumstances where an amendment as described in paragraph (C) below has not been made at the relevant time, the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 5(d) (*Fallback – Mid-Swap Rate*) or Condition 6(c) (*Screen Rate Determination – Floating Rate Notes other than Floating Rate Notes referencing SONIA*) of the Terms and Conditions of the Notes, although such provisions, in cases where they are dependent in part upon the provision by reference banks of offered quotations for leading banks in the Euro-zone interbank market, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR was available. See Risk Factor 4.3 (*Fallbacks under the Conditions of the Notes*) below for more details; and
- (C) while an amendment may be made under Condition 9 (*Benchmark Discontinuation*) of the Terms and Conditions of the Notes to change the base rate on the Notes from EURIBOR to an alternative base rate under certain circumstances broadly related to EURIBOR dysfunction or discontinuation and subject to certain conditions being satisfied, there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) will be made prior to any date on which any of the risks described in this risk factor may become. See Risk Factor 4.4 (*Benchmark Events*) below for more details.

Moreover, any of the above matters (including an amendment to change the base rate of a series of Notes as described in paragraph (C) above) or any other significant change to the setting or existence of EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of EURIBOR or any other relevant interest rate benchmark could result in adjustment to the Conditions, discretionary valuation by the Calculation Agent, or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to EURIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

#### **4.3 Fallbacks under the Conditions of the Notes.**

The Conditions of the Notes provide for certain fallback arrangements if 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 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 applied in the prior interest period or, in the case of Reset Notes, the application of the Reset Rate of Interest for a preceding Reset Period or, as the case may be, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. 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.

#### **4.4 Benchmark Events.**

If a Benchmark Event (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, and will determine, in consultation with such Independent Adviser (if any), a Successor Rate or Alternative Rate (and, in either case, an Adjustment Spread) to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate, together with an Adjustment Spread, to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

In particular, any such Adjustment Spread may not be effective to reduce or eliminate the relevant prejudice to the Noteholders and Couponholders.

Furthermore, if a Successor Rate or Alternative Rate (and, in either case, an Adjustment Spread) is determined by the Issuer, in consultation with the Independent Adviser (if any), the Conditions of the Notes provide that the Issuer may vary the Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate (and Adjustment Spread), without any requirement for consent or approval of the Noteholders. Where the Issuer is unable to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread (or the formula or methodology for determining such Adjustment Spread) before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the Initial Rate of Interest. Applying the Initial Rate of Interest, or the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread could be determined.

Where the Issuer has failed to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread in respect of any given Interest Period, the Issuer will continue to attempt to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread to apply the next succeeding and any subsequent Interest Periods, as necessary.

If the Issuer fails to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread for the life of the relevant Notes, the Initial Rate of Interest, or the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the relevant Floating Rate Notes or Reset Notes, in effect, becoming fixed rate Notes.

## **5. RISKS RELATING TO THE PARTICULAR STRUCTURE OF NOTES**

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

### **5.1 The obligations of the Issuer in respect of Tier 2 Capital Notes are unsecured and subordinated and the claims of Holders of Senior Non-Preferred Notes also rank after more senior creditors.**

The Tier 2 Capital Notes will constitute unsecured and subordinated obligations of the Issuer. On a Winding-Up of the Issuer, all claims in respect of the Tier 2 Capital Notes will rank junior to all Senior Claims. If, on a liquidation of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Tier 2 Capital Notes. If there are sufficient assets to enable the Issuer to pay the claims of more senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Tier 2 Capital Notes and all other claims that rank *pari passu* with the Tier 2 Capital Notes in full, Holders will lose some (which may be substantially all) of their investment in the Tier 2 Capital Notes.

For the avoidance of doubt, the Holders of Tier 2 Capital Notes shall, in a liquidation of the Issuer, have no claim in respect of the surplus assets (if any) of the Issuer remaining in any liquidation following payment of all amounts due in respect of the liabilities of the Issuer.

Although the Tier 2 Capital Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Tier 2 Capital Notes will lose all or some of the value of their investment should the Issuer become insolvent or subject to any of the resolution tools or the write-down or conversion powers in the Banking Act 2009 (the “**Banking Act**”).

The claims of Holders of the Senior Non-Preferred Notes will rank after the claims of Holders of Senior Preferred Notes and other unsubordinated creditors of the Issuer but before the claims of Holders of the Tier 2 Capital Notes. The same risks are therefore also applicable to Holders of the Senior Non-Preferred Notes as those set out above.

Holders are also subject to the provisions of the Banking Act relating to, *inter alia*, the write down or conversion of capital instruments and the bail-in of liabilities as described under Risk Factor 6.1 (the subsection entitled, *Mandatory write-down and conversion of capital instruments may affect the Tier 2 Capital Notes*) below.

### **5.2 Holders may not require the redemption of Notes prior to their maturity.**

The Issuer is under no obligation to redeem Notes at any time prior to their stated Maturity Date and the Holders of such Notes have no right to require the Issuer to redeem or purchase such Notes at any time.

Furthermore, any redemption, purchase, substitution or variation of any Notes by the Issuer will be subject always to Supervisory Permission (if so required under the Conditions) and (in the case of Tier 2 Capital Notes) to compliance with prevailing Regulatory Capital Requirements or (in the case of Senior Preferred Notes, if so required under the Conditions, and Senior Non-Preferred Notes) Loss Absorption Regulations, and the Holders may not be able to sell such Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

### **5.3 Holders of Tier 2 Capital Notes will, and Holders of Senior Preferred Notes and Senior Non-Preferred Notes may, have limited remedies.**

The remedies available to Holders of Tier 2 Capital Notes, and Senior Preferred Notes or Senior Non-Preferred Notes where the relevant Final Terms specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) applies, are limited.

Holders may not at any time demand repayment or redemption of such Notes, although in a Winding-Up, the Holders will have a claim for an amount equal to the principal amount of the Notes plus any accrued interest.

The sole remedy in the event of any non-payment of principal or interest under such Notes, subject to certain conditions as described in Condition 14 (*Events of Default*), is that the Trustee, on behalf of the Holders may, at its discretion, or shall at the direction of an Extraordinary Resolution of Holders or of the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes subject to applicable laws, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Notes in any winding-up or other insolvency proceedings in respect of such non-payment.

The remedies under such Notes are more limited than those typically available to the Issuer's unsubordinated creditors, including Holders of Senior Preferred Notes or Senior Non-Preferred Notes where the relevant Final Terms specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) does not apply. For further details regarding the limited remedies of the Trustee and the Holders, see Condition 14 (*Events of Default*).

### **5.4 Waiver of set-off.**

The Holders of the Tier 2 Capital Notes and Senior Non-Preferred Notes and (if Condition 3(d) (*No set-off*) is stated in the relevant Final Terms as being applicable) Senior Preferred Notes, as applicable, waive any right of set-off in relation to such Notes insofar as permitted by applicable law. Therefore, Holders of Tier 2 Capital Notes, Senior Non-Preferred Notes and Senior Preferred Notes (as and if applicable) will not be entitled (subject to applicable law) to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

### **5.5 The terms of certain Notes may be modified, or certain Notes may be substituted, by the Issuer without the consent of the Holders in certain circumstances, subject to certain restrictions.**

Unless the relevant substitution and variation provisions are marked "Not Applicable" in the relevant Final Terms, in the event of a Tax Event or following the occurrence of a Capital Disqualification Event or a Loss Absorption Disqualification Event, as applicable, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities or Loss Absorption Compliant Notes, as applicable, without the consent of the Holders.

Qualifying Tier 2 Securities and Loss Absorption Compliant Notes must have terms not materially less favourable to Holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing. However, there can be no assurance that, due to the particular circumstances of a Holder of Notes, such Qualifying Tier 2 Securities or Loss Absorption Compliant Notes will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Tier 2 Securities or Loss Absorption Compliant Notes are not materially less favourable to holders than the terms of the Notes. Further, the tax and stamp duty consequences could be different for Holders of Notes once such Notes have been varied or substituted as described above.

**5.6 The Notes may be subject to early redemption at the option of the Issuer upon the occurrence of certain regulatory events or on any Optional Redemption Date (Call).**

Subject to obtaining prior Supervisory Permission and to compliance, in the case of Tier 2 Capital Notes, with prevailing Regulatory Capital Requirements and, in the case of Senior Preferred Notes and Senior Non-Preferred Notes, Loss Absorption Regulations, the Issuer may, at its option, redeem all (but not some only) of the Tier 2 Capital Notes, the Senior Preferred Notes and the Senior Non-Preferred Notes (unless “*Senior Preferred Notes and Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption*” is specified to be “*Not Applicable*” in the relevant Final Terms) at their principal amount plus interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date upon the occurrence of a Capital Disqualification Event or a Loss Absorption Disqualification Event, as applicable, at any time or on any Optional Redemption Date (Call), if applicable.

An optional redemption feature is likely to limit the market value of such Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Further, during periods when there is an increased likelihood, or perceived increased likelihood, that such Notes will be redeemed early, the market value of the Notes may be adversely affected.

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

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect to redeem such Notes, and if so whether the Issuer will satisfy the conditions, or elect, to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes if the Issuer’s funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If such Notes are so redeemed, there can be no assurance that Holders 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 Notes.

**5.7 The Issuer is a holding company.**

The Notes issued by the Issuer are the obligations of the Issuer only. The Issuer is a holding company and conducts substantially all of its operations through its subsidiaries and accordingly the claims of the Noteholders under the Notes will be structurally subordinated to the claims of creditors of the Issuer’s subsidiaries. The Issuer’s rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary’s creditors and any preference shareholders, except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are

recognised to be ranked ahead of or *pari passu* with such claims. The Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Notes.

As well as the risk of losses in the event of a subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, and investments in, such a subsidiary are subject to statutory or contractual write down and conversion powers or if the subsidiary is otherwise subject to bank resolution proceedings. The Issuer has in the past made, and may continue to make, loans to, and investments in, CCFSL and OSB, and it may in the future make loans to any other subsidiary in its Group, with the proceeds received from the Issuer's issuance of debt instruments (including Notes issued under this Programme). Such loans to, and investments in, such subsidiary by the Issuer using the proceeds received from the Issuer's issue of Tier 2 Capital Notes are expected to be in the form of Tier 2 capital. With respect to the Issuer's Senior Preferred Notes that are intended to constitute MREL eligible liabilities, the loans to, and/or investments in such subsidiary by the Issuer using the proceeds received by the issuance of such Senior Preferred Notes by the Issuer may be in the form of senior notes/loans or subordinated capital.

The Issuer retains its absolute discretion to restructure such loans to, and any other investments in, any of its subsidiaries, including CCFSL and OSB, at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary, as part of wider changes made to the Group's corporate structure or otherwise as part of meeting regulatory requirements, such as the implementation of MREL in respect of the relevant subsidiaries. A restructuring of a loan or investment made by the Issuer in its subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to such subsidiary, and the inclusion of a mechanism that provides for an automatic write-down and/or conversion into equity upon specified triggers. Any restructuring of the Issuer's loans to, and investments in, any of the subsidiaries in the Group may be implemented by the Issuer without prior notification to, or consent of, the Noteholders.

The regulatory capital treatment, and otherwise the ranking in the ordinary insolvency hierarchy, of the Issuer's claims against its subsidiary will affect the extent to which the Issuer is exposed to losses if such subsidiary is subject to mandatory write-down or conversion of its capital instruments or relevant internal liabilities. In particular, the Banking Act specifies that the resolution powers should be applied in a manner such that losses are transferred to shareholders and creditors in an order which reflects the hierarchy of issued instruments under CRD IV and which otherwise respects the hierarchy of claims in an ordinary insolvency, as described above. See "*Supervision and Regulation – The Banking Act, the SRR and the BRRD*". In general terms, the more junior in the capital structure the investments in, and loans made to, any subsidiary of the Issuer are, relative to third party investors, the greater the losses likely to be suffered by the Issuer in the event any such subsidiary is subject to mandatory write-down or conversion of its capital instruments or relevant internal liabilities. See Risk Factor 6.1 (*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Notes*) below.

If one of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of Notes would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of the creditors (and holders of preference shares or other capital instruments ranking ahead of any such entity's ordinary shares) of such subsidiary ranking ahead of the holders of ordinary shares of such subsidiary. Similarly, if the CCFSL, OSB or any other of the Issuer's subsidiaries were subject to resolution proceedings (i) the holders of the Notes would

have no direct recourse against CCFSL, OSB or such other subsidiary, and (ii) holders of the Notes themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the stabilisation powers. See Risk Factor 6.1 (*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Notes*) below.

**5.8 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.

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

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate, Benchmark Gilt Rate or Reference Bond Rate and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes as calculated by the Calculation Agent on the relevant Reset Determination Date) (each such interest rate, being a “**Subsequent Reset Rate of Interest**”). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

**5.10 Fixed/Floating Rate Notes.**

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

**5.11 Notes where denominations involve integral multiples.**

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

## 6. RISKS RELATING TO THE NOTES GENERALLY

### 6.1 **The Banking Act confers substantial powers on HM Treasury, the Bank of England, the PRA and the FCA that are designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates in the event a bank or an investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Notes.**

The paragraphs below set out some of the possible consequences of the SRR (as defined below) and the exercise of those powers under the SRR. The taking of any action under the Banking Act could adversely affect Holders. See also “*Supervision and Regulation – The Banking Act, the SRR and the BRRD*”.

#### *The SRR may be triggered prior to insolvency of the Issuer*

Under the Banking Act substantial powers were granted to HM Treasury, the Bank of England, the PRA and the FCA (together the “**Authorities**”) as part of the special resolution regime (the “**SRR**”), including five pre-insolvency stabilisation options: (i) private sector transfer of all or part of the business or shares 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 wholly or partly owned by HM Treasury or the Bank of England, (iv) the bail-in tool (as described below) and (v) temporary public ownership (nationalisation). These stabilisation options may be exercised in respect of the Issuer if the PRA is satisfied that the following four conditions have been met:

- the Issuer or a bank in the Group is failing, or is likely to fail, (including, in relation to a bank, where that bank is failing or likely to fail to meet the threshold conditions specified in FSMA);
- following consultation with the other Authorities, the Bank of England determines that having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilisation options) action will result in the Issuer or the relevant bank no longer failing or being like to fail;
- the Bank of England concludes that the exercise of the stabilisation options is 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
- the specific resolution objectives would not be met to the same extent by the winding up of the Issuer or relevant bank.

It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the Issuer could be initiated.

Although the Banking Act provides for conditions to the exercise of any stabilisation options, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are also not required to provide any advance notice to Holders of their decision to exercise any resolution power. Therefore, Holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

#### *Various actions may be taken in relation to the Notes without the consent of the Holders*

If the Issuer were made subject to the exercise of any stabilisation options, 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) subject to certain protections in respect of the Issuer. Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (including the Notes) without the consent of the Holders, 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 such as ordinary shares; and/or
- modifying or disapplying certain terms of the Notes.

The stabilisation options available under the SRR include the exercise of the bail-in tool which is used to absorb losses and recapitalise a failing bank utilising its own resources. This would involve allocating an entity's losses to its shareholders and unsecured creditors (which include Holders) in a manner that (i) respects 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). While the bail-in tool provides for the payment of compensation in some circumstances (consistent with the "no creditor worse off" safeguard) and in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly. See "*Supervision and regulation – The Banking Act, the SRR and the BRRD*".

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 shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes. The taking of any such actions could materially adversely affect the rights of Holders, and such actions (or the perception that the taking of such actions may be imminent) could materially adversely affect the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its resolution powers (including the UK bail-in tool) or to have that decision reviewed by a judicial or administrative process or otherwise. In such circumstances, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

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

The Banking Act grants the power to the relevant Authorities to permanently write-down, or convert into equity, Tier 1 capital instruments, Tier 2 capital instruments (such as the Tier 2 Capital Notes which can be issued under this Programme) and relevant internal liabilities at the point of non-viability of the relevant entity or group or together with, the exercise of any stabilisation option. See "*Supervision and regulation - The Banking Act, the SRR and the BRRD*". Holders may be subject to write-down or conversion into equity

on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment.

If the Issuer were to become subject to bail-in or resolution powers or subject to the mandatory write-down and conversion power under the Banking Act, existing shareholders may experience a dilution or cancellation of their holdings and holders of debt securities may be subject to write-off or conversion. Some provision is made in the Banking Act for compensation orders to be made in certain specified circumstances, but the extent of the compensation will be determined having regard to the particular factual circumstances of the case and the principles set out in the Banking Act. These principles essentially require that no shareholder or creditor should be worse off under an SRR process than it would have been under a hypothetical insolvency, which means that it is not certain that compensation would be received in a particular case. However, the “no creditor worse off” safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act or any perceived increased likelihood of such exercise could, therefore, materially adversely affect the rights of Holders of Tier 2 Capital Notes, and such exercise (or the perception that such exercise may be imminent) could materially adversely affect the price or value of their investment in the Tier 2 Capital Notes and/or the ability of the Issuer to satisfy its obligations under the Tier 2 Capital Notes.

Further, although the Banking Act also makes provisions for public financial support to be provided to an institution on resolution subject to certain conditions, it provides that the financial public support should only be used as a last resort after the Authorities have assessed and exhausted, to the maximum extent practicable, all the resolution tools, including the bail-in power. Accordingly, it is unlikely that investors in the Notes will benefit from such support even if it were provided.

*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, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred. As of the date of this Base Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer 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 Holders will not be adversely affected by any such order or instrument if made.

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

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

Any rating assigned to the Issuer may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Group's key markets; the level of political support for the industries in which the Group operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors.

The credit rating agencies may also revise the ratings methodologies applicable to the Issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting the Issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to the Issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings by the credit rating agencies may occur in the future. If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Notes (whether or not the Notes had an assigned rating prior to such event).

**6.3 There is no limit on the amount or type of further bonds or indebtedness that the Issuer may issue, incur or guarantee.**

There is no restriction on the amount of notes, bonds or other liabilities that the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such Notes or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders during a winding-up or administration or resolution of the Issuer and may limit the Issuer's ability to meet its obligations under the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described herein.

**6.4 The Issuer may not be liable to pay certain taxes.**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall (a) in the case of each series of Senior Preferred Notes, unless the relevant Final Terms expressly specifies "*Senior 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 Tier 2 Capital Notes and Senior Non-Preferred Notes and each Series of Senior Preferred Notes for which the relevant Final Terms expressly specifies "*Senior Preferred Notes: Gross-up of principal*" as "*Not Applicable*", in respect of payments of interest (if any) only and not principal, pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 13 (*Taxation*).

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders and Couponholders will be liable for payment of any tax, duty, charge,

withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in Condition 13 (*Taxation*).

In particular, the Tier 2 Capital Notes, Senior Non-Preferred Notes and each Series of Senior Preferred Notes for which the relevant Final Terms expressly specifies “*Senior Preferred Notes: Gross-up of principal*” as “*Not Applicable*” do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction or any deduction is imposed on repayments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of such 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 such Notes, Noteholders and Couponholders may receive less than the full amount due under such Notes and the market value of such Notes may be adversely affected.

## **6.5 Changes in law may adversely affect the rights of Holders.**

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Notes. The Conditions are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes. In addition, any change in law or regulation that triggers a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event would, in the case of certain Notes, entitle the Issuer, at its option (subject to, amongst other things, obtaining prior Supervisory Permission), to redeem the Notes, in whole but not in part, as provided under Condition 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*) or 10(e) (*Redemption for Loss Absorption Disqualification Event*), as the case may be.

Legislative and regulatory uncertainty could affect an investor’s ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent of any impact on the Notes that one or more regulatory or legislative changes, including those described above, could have. In particular, following the UK’s withdrawal from the EU, UK law may diverge from EU law over time. The Issuer is not able to predict how UK legislation might develop. Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group’s business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group’s, and therefore the Issuer’s, performance and financial condition. It is not yet possible to predict the detail of such legislation or regulatory rule-making or the ultimate consequences to the Group or the Holders, which could be material to the rights of Holders of the Notes and/or the ability of the Issuer to satisfy its obligations under such Notes.

## **6.6 The Notes are not ‘protected liabilities’ for the purposes of any Government compensation scheme.**

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

The Notes are not, however, Protected Liabilities under the FSCS and, moreover, are not guaranteed or insured by any government, government agency or compensation scheme of the UK or any other jurisdiction. Further, as part of the reforms required by BRRD, amendments were made to relevant

legislation in the UK (including the UK Insolvency Act 1986) to establish in the insolvency hierarchy a statutory preference (i) firstly, for deposits that are insured under the UK FSCS (“**insured deposits**”) to rank with existing preferred claims as ‘ordinary’ preferred claims and (ii) secondly, for all other deposits of individuals and micro, small and medium sized enterprises held in EEA or UK or non-EEA branches of an EEA or UK bank (“**other preferred deposits**”), to rank as ‘secondary’ preferred claims only after the ‘ordinary’ preferred claims. In addition, the UK implementation of the EU Deposit Guarantee Scheme Directive increased, from July 2015, the nature and quantum of insured deposits to cover a wide range of deposits, including corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. The effect of these changes is to increase the size of the class of preferred creditors. All such preferred deposits will rank in the insolvency hierarchy ahead of all other unsecured senior creditors of the Issuer, including the Holders of the Notes, and insured deposits are excluded from the scope of the bail-in tool.

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

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates which may be deposited with a common depository for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, Luxembourg, a “**Clearing System**”). If the Global Notes are NGN or if the Global Certificates are to be held under the NSS, they will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Notes or, as the case may be, Global Certificates. While the Notes are represented by one or more Global Notes, or as the case may be, Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System. While the Notes are represented by one or more Global Notes or, as the case may be, Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depository or, for Global Notes that are NGN and Global Certificates to be held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg. A Holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such Holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

**6.8 The Issuer may be substituted as principal debtor in respect of the Notes.**

At any time, the Trustee may (subject to prior Supervisory Permission and compliance with Regulatory Capital Requirements or Loss Absorption Regulations, as applicable) agree to the substitution in place of the Issuer as the principal debtor under the Notes of certain entities, in each case subject to the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Holders and to certain other conditions set out in the Trust Deed being complied with. In the event of any such substitution, the Trustee shall be entitled to agree to amendments of the Conditions of the Notes and the Trust Deed without the consent of the Holders, including amendments to change the law governing the subordination and waiver of set-off provisions set out in the Conditions and the Trust Deed.

**6.9 The Conditions of the Notes may be modified without the consent of the Noteholders pursuant to the Corporate Insolvency and Governance Act 2020.**

Where the Issuer encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, the Issuer may propose a restructuring plan (a “Plan”) with its creditors under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organised into creditor classes and can vote on any such Plan (subject to any classes being excluded from the vote by the English courts for having no genuine economic interest in the Issuer). Provided that one class of creditors (who would receive a payment, or have a genuine economic interest in the Issuer) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the “relevant alternative” (such as, broadly, liquidation or administration), then the English courts can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to the Issuer may, therefore, adversely affect the rights of the relevant Noteholders and the price or value of their investment in the relevant Notes, as it may have the effect of modifying or disapplying certain terms of the Notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer). The Secretary of State has the power, by secondary legislation, to exclude certain companies providing financial services from the scope of Part 26A and it may well be that, in practice, the special resolution regime under the Banking Act is more likely to be used to resolve any financial difficulties of the Issuer rather than the Plan.

#### **6.10 Modification and waivers.**

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

The Conditions also provide that the Trustee may, subject to certain exceptions, agree to

- (A) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Notes, the Trust Deed or the Agency Agreement which, in each case, in the opinion of the Trustee is not materially prejudicial to the interest of the Noteholders or, in the case of a modification, in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error; or
- (B) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the relevant Noteholders will not be materially prejudiced thereby (except that the provisions relating to the Tier 2 Capital Notes, Senior Preferred Notes (if so required under the Conditions) and Senior Non-Preferred Notes shall only be capable of modification or waiver with prior Supervisory Permission and in compliance with prevailing Regulatory Capital Requirements or Loss Absorption Regulations, as applicable).

#### **6.11 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.

#### **6.12 A Holder's actual yield on the Notes may be reduced from the stated yield by transaction costs.**

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

#### **6.13 Notes issued at a substantial discount or premium.**

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from 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.

### **7. RISKS RELATING TO THE MARKET GENERALLY**

#### **7.1 There can be no assurance about the development or performance of a secondary trading market for the Notes.**

The Notes issued under the Programme represent a new security for which no secondary trading market exists (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued) and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. 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. Illiquidity may have a severely adverse effect on the market value of Notes.

If a market for the Notes does develop, the trading price of the Notes may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions, interest rates, currency exchange rates and inflation rates that may adversely affect the market price of the Notes, such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors. Publicly traded bonds from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes in full, or, where relevant, of the Notes being subject to loss absorption under an applicable statutory loss absorption regime.

In addition, the market price of the Notes may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control.

Any or all of such events could result in material fluctuations in the price of Notes which could lead to investors losing some or all of their investment.

The issue price of the Notes might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Notes at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, whilst the Issuer and any subsidiary of the Issuer can (subject to Supervisory Permission and compliance with prevailing Regulatory Capital Requirements or Loss Absorption Regulations, as applicable) purchase Tier 2 Capital Notes, Senior Preferred Notes or Senior Non-Preferred Notes at any time, they have no obligation to do so. Purchases made by the Issuer (or on behalf of the Issuer) could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, Holders should be aware of the prevailing credit market conditions, whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Although an application has been made to admit the Notes issued under the Programme to trading on the Market, there can be no assurance that such application will be accepted, that the Notes will be so admitted, or that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Notes.

## **7.2 There are exchange rate risks and exchange control risks associated with the 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 (a) the Investor's Currency equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

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

## TERMS AND CONDITIONS OF THE NOTES

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

The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. References in these terms and conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued pursuant to the £3,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) by OSB GROUP PLC (the “**Issuer**”).

This Note is constituted by a Trust Deed dated 14 January 2022 (as amended, restated, modified and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”) which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 14 January 2022 (as amended, restated, modified and/or supplemented from time to time, the “**Agency Agreement**”) made between, inter alios, the Issuer, the Trustee, Citibank, N.A., London Branch as initial principal paying agent and the other agents named therein. The principal paying agent, the paying agents, the registrar, the transfer agents and the calculation agent for the time being (if any) are referred to below, respectively, as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent**”. The Trustee shall exercise the duties, powers, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement (i) are available for inspection by Holders of the Notes (as defined below) free of charge during normal business hours (being between 9 a.m. and 3 p.m. (London time) on any weekday) at the office for the time being of the Principal Paying Agent (being as at 14 January 2022, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) or (ii) may be provided by email to a Holder of Notes following its prior written request to any Paying Agent, in each case upon provision of proof of holding of Notes and identity (in a form satisfactory to the relevant Paying Agent).

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

The term “**Notes**” means debt instruments, by whatever name called, issued under the Programme. The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Notes issued under the Programme are issued in Series and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of the relevant final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions

and the relevant Final Terms, the relevant Final Terms shall prevail. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions.

## 1. Interpretation

### (A) Definitions

In these Conditions the following expressions have the following meanings:

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

“**Additional Amounts**” has the meaning given in Condition 13(A) (*Gross up*);

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

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

“**Adjustment Spread**” has the meaning given in Condition 9(G) (*Definitions*);

“**Alternative Rate**” has the meaning given in Condition 9(G) (*Definitions*);

“**Authorised Signatories**” means any Director of the Issuer, any Authorised Person (as defined in the Trust Deed) or any other person or persons notified to the Trustee as being an Authorised Signatory in accordance with the Trust Deed;

“**Banking Act**” means the Banking Act 2009, as amended, modified, re-enacted or replaced from time to time;

“**Benchmark Amendments**” has the meaning given in Condition 9(D) (*Benchmark Amendments*);

“**Benchmark Event**” has the meaning given in Condition 9(G) (*Definitions*);

“**Benchmark Frequency**” means, if “**Benchmark Gilt Rate**” is specified in the relevant Final Terms, semi-annual and in all other cases has the meaning given in the relevant Final Terms;

“**Benchmark Gilt Rate**” means in respect of a Reset Period and subject to Condition 5(E) (*Fallback – Benchmark Gilt Rate*), the percentage rate determined on the basis of the Benchmark Gilt Rate Quotations provided by the Reference Banks at approximately 11.00 a.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Calculation Agent. If at least four quotations are provided, the Benchmark Gilt Rate will be determined by reference to the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be determined by reference to the arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, an amount specified hereon as the “**First Reset Period Fallback**”; where:

“**Benchmark Gilt**” means, in respect of a Reset Period, such United Kingdom government security customarily used in the pricing of new issues having a maturity date on or about the Subsequent Reset Date falling at the end of (but not included in) such Reset Period (if applicable) or (otherwise) the Maturity Date as the Issuer on the advice of an investment bank or independent financial adviser of international repute may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any);

“**Benchmark Gilt Rate Quotations**” means, in respect of a Reset Period, the arithmetic mean (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields for the Benchmark Gilt; and

“**dealing day**” means a day on which the Market (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

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

“**Business Day**” means:

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

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

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

- (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
- (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

“**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

a “**Capital Disqualification Event**” is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Tier 2 Capital Notes which becomes effective after the issue date of the last Tranche of the relevant Series of Tier 2 Capital Notes and that results, or would be likely to result, in some of or the entire principal amount of such Series of Tier 2 Capital Notes ceasing to be included in the Tier 2 Capital of (if the relevant Notes have previously been included in the Tier 2 Capital of the Issuer) the Issuer and/or (if the relevant Notes have previously been included in the Tier 2 Capital of the Group) the Group and, for the avoidance of doubt, any amortisation of the Tier 2 Capital Notes pursuant to Article 64 of the CRR (or any equivalent or successor provision) shall not comprise a Capital Disqualification Event;

“**Code**” has the meaning given in Condition 13(B) (*FATCA*);

“**Competent Authority**” means the Bank of England (i) acting as the Prudential Regulation Authority in the context of prudential matters or (ii) acting through its Resolution Directorate in the context of resolution matters or such other authority having primary supervisory authority with respect to prudential or resolution matters, as applicable, concerning the Issuer and/or the Group;

“**Compounded Daily SONIA**” has the meaning given in Condition 6(D) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)*) or Condition 6(E) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Index Determination)*), as applicable;

“**Coupon Sheet**” means, in respect of a Bearer Note, a coupon sheet relating to such Note;

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

“**CRR**” means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No. 648/2012, as it forms part of, and may be amended, modified, re-enacted or replaced by, the domestic law of the United Kingdom by virtue of the EUWA;

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

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

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

where:

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

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

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

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

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

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

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

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

where

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

“**Early Redemption Amount (Events of Default)**” means, in respect of any Note, its principal amount or (in relation to Zero Coupon Notes) the amount set out in Condition 10(H) or such other amount as may be specified in the relevant Final Terms;

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

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

“**euro**” and “**€**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**EUWA**” means the European Union (Withdrawal) Act 2018;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**FATCA Withholding**” has the meaning given in Condition 13(B) (*FATCA*);

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

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

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

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

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

“**First Reset Period Fallback**” has the meaning given in the relevant Final Terms;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Condition 5(D) (*Fallback – Mid-Swap Rate*) and 5(E) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the First Reset Period (such calculation to be made by the Calculation Agent));

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

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

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

“**Group**” means the Issuer and each entity (if any) which forms part of the same consolidated situation or resolution group as the Issuer (as those terms, or their successors, are used in the Regulatory Capital Requirements (in relation to Tier 2 Capital Notes) or the Loss Absorption Regulations (in relation to Senior Preferred Notes and Senior Non-Preferred Notes (as applicable)));

“**Holder**” in the case of Bearer Notes, has the meaning given in Condition 2(B) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(D) (*Title to Registered Notes*);

“**Independent Adviser**” has the meaning given in Condition 9(G) (*Definitions*);

“**Initial Mid-Swap Rate**” has the meaning specified in the relevant Final Terms;

“**Initial Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

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

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

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

“**Interest Determination Date**” shall mean the date specified as such in the relevant Final Terms, or if none is so specified:

- (i) if the Reference Rate is SONIA, the second London Banking Day prior to the last day of each Interest Period; or
- (ii) if the Reference Rate is EURIBOR, the second day on which the TARGET System is open prior to the start of each Interest Period;

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

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

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

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

**“Last Observable Mid-Swap Rate Final Fallback”** has the meaning given in the relevant Final Terms;

**“Loss Absorption Compliant Notes”** means securities issued directly by the Issuer that:

- (i) have terms not materially less favourable to an investor than the terms of the relevant Series of Senior Preferred Notes or Senior Non-Preferred Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (1) contain terms which 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) provide for the same Rate of Interest and Interest Payment Dates from time to time applying to the relevant Series of Notes; (3) rank *pari passu* with the ranking of the relevant Series of Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Series of Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (6) do not contain terms which provide for interest cancellation or deferral; and (7) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

- (ii) if the relevant Series of Notes is listed on a stock exchange or market, are listed on (aa) the same stock exchange or market as the relevant Series of Notes, (bb) the official list of the Financial Conduct Authority and admitted to trading on the Market or (cc) any other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;

a “**Loss Absorption Disqualification Event**” shall be deemed to have occurred in respect of a Series of Senior Preferred Notes or 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 on or after the issue date of the last Tranche of such Series of Senior Preferred Notes or Senior Non-Preferred Notes, either:

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

is or (in the opinion of the Issuer or the relevant Competent Authority) is likely to be excluded from the minimum requirements (whether on an individual or consolidated basis) for (aa) own funds and eligible liabilities and/or (bb) loss absorbing capacity instruments of (if the relevant Notes have previously been included in such minimum requirements of the Issuer) the Issuer and/or (if the relevant Notes have previously been included in such minimum requirements of the Group) the Group, in each case as such minimum requirements are applicable to the Issuer and/or the Group (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 Preferred Notes or Senior Non-Preferred Notes from the relevant minimum requirement(s) is due to the remaining maturity of such 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 and/or the Group on the issue date of the last Tranche of the relevant Series of Senior Preferred Notes or Senior Non-Preferred Notes;

“**Loss Absorption Regulations**” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom (including, without limitation, any provisions of the Insolvency Act 1986 or the Banking Act, in each case as amended from time to time and including any subordinate legislation made thereunder) and/or any relevant Competent Authority then in effect in the United Kingdom and applicable to the Issuer (whether on an individual or consolidated basis), including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any relevant Competent Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer);

“**Margin**” has the meaning given in the relevant Final Terms;

“**Market**” means the main market of the London Stock Exchange plc;

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

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

“**Mid-Market Swap Rate**” means, for any Reset Period, the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Benchmark Frequency during the relevant Reset Period (calculated on the day count basis then customary for fixed rate payments in the Specified Currency) 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 (as specified in the relevant Final Terms) (calculated on the day count basis then customary for floating rate payments in the Specified Currency);

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

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR if the Specified Currency is euro or the Reference Rate as specified in the relevant Final Terms;

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

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

(i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

(a) with a term equal to the relevant Reset Period; and

(b) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(a) with a term equal to the relevant Reset Period; and

(b) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

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

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

“**Noteholder**” in the case of Bearer Notes, has the meaning given in Condition 2(B) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(D) (*Title to Registered Notes*);

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

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

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

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

“**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;

“**Original Reference Rate**” has the meaning given in Condition 9(G) (*Definitions*);

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (a) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
  - (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (a) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
  - (b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;

“**Proceedings**” has the meaning given in Condition 24(B) (*Jurisdiction*);

“**Qualifying Tier 2 Securities**” means securities issued directly by the Issuer that:

- (i) have terms not materially less favourable to an investor than the terms of the relevant Series of Tier 2 Capital Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (1) contain terms which comply with the then current requirements of the Competent Authority in relation to Tier 2 Capital; (2) provide for the same Rate of Interest and Interest Payment Dates from time to time applying to the relevant Series of Tier 2 Capital Notes; (3) rank *pari passu* with the ranking of the relevant Series of Tier 2 Capital Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Series of Tier 2 Capital Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (6) do not contain terms which provide for interest cancellation or deferral; and (7) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (ii) if the relevant Series of Tier 2 Capital Notes is listed on a stock exchange or market, are listed on (aa) the same stock exchange or market as the relevant Series of Tier 2 Capital Notes, (bb) the official list of the Financial Conduct Authority and admitted to trading on the Market or (cc) any other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;

“**Ranking Legislation**” means the Order and any law or regulation applicable to the Issuer which is amended by the Order, as the same may be further amended, supplemented or replaced from time to time;

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

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the United Kingdom Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“**Record Date**” has the meaning given in Condition 12(F) (*Record date*);

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Events of Default), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Loss Absorption Disqualification Event), the Optional Redemption Amount (Capital Disqualification Event) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“**Reference Banks**” (i) in the case of Notes other than Reset Notes, has the meaning given in the relevant Final Terms or, if none, five major banks selected by the Issuer in the market that is most closely connected with the Reference Rate; and (ii) in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none (1) in the case of the calculation of a Mid-Market Swap Rate, five major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer or (2) in the case of the calculation of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers as selected by the Issuer;

“**Reference Bond**” means for any Reset Period a government security or securities issued by the government of 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 or independent financial adviser of international repute as having an actual or interpolated maturity date on or about the last day of such Reset Period and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

“**Reference Bond Dealer**” means each of five banks which are primary government securities dealers or market makers in pricing corporate bond issuances, as selected by the Issuer;

“**Reference Bond Dealer Quotations**” means, with respect to each Reference Bond Dealer and the relevant Reset Determination Date, the arithmetic mean (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields for the Reference Bond as at the Reference Bond Relevant Time in the principal financial centre of the Specified Currency (which, if the Specified Currency is euro, shall be Frankfurt) on the relevant Reset Determination Date and quoted in writing to the Issuer by such Reference Bond Dealer;

“**Reference Bond Rate**” means, in respect of a Reset Period, the percentage rate determined on the basis of the Reference Bond Dealer Quotations provided by the Reference Bond Dealers to the Issuer at the Reference Bond Relevant Time on the Reset Determination Date in respect of that Reset Period. If at least four quotations are provided, the Reference Bond Rate will be determined by reference to the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reference Bond Rate will be determined by reference to the arithmetic mean of the quotations provided. If only one quotation is provided, the Reference Bond Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reference Bond Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period

commencing on the First Reset Date, the percentage rate specified hereon as the “First Reset Period Fallback”;

“**Reference Bond Relevant Time**” has the meaning given in the relevant Final Terms;

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

“**Reference Rate**” shall mean (i) EURIBOR or (ii) SONIA, in the case of (i) for the relevant period as specified in the relevant Final Terms;

“**Regular Period**” means:

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

“**Regulatory Capital Requirements**” means, at any time, any requirement contained in the laws, regulations, requirements, guidelines and policies of the Competent Authority or the United Kingdom relating to capital adequacy or capital requirements and applicable to the Issuer and/or the Group (including, without limitation, the CRR);

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate or Bearer Note representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

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

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and/or interest on the Notes;

“**Relevant Nominating Body**” has the meaning given in Condition 9(G) (*Definitions*);

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

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

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

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

“**Reset Maturity Initial Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

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

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

“**Reset Period Maturity Initial Mid-Swap Rate**” has the meaning given in the relevant Final Terms;

“**Reset Rate**” means (i) if “Mid-Swap Rate” is specified in the relevant Final Terms, the relevant Mid-Swap Rate; (ii) if “Benchmark Gilt Rate” is specified in the relevant Final Terms, the relevant Benchmark Gilt Rate; or (iii) if “Reference Bond” is specified in the relevant Final Terms, the relevant Reference Bond Rate;

“**Senior Claims**” means the aggregate amount of all claims admitted in a Winding-Up of the Issuer in respect of creditors of the Issuer (a) who are unsubordinated creditors of the Issuer including, for the avoidance of doubt, holders of Senior Preferred Notes and holders of Senior Non-Preferred Notes of the Issuer; and (b) whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of Holders in respect of the Tier 2 Capital Notes of the Issuer or related Coupons);

“**Senior Non-Preferred Claims**” means the aggregate amount of all claims admitted in a Winding-Up of the Issuer which are claims of creditors in respect of obligations which are secondary non-preferential debt of the Issuer under the Order (including, without limitation, Senior Non-Preferred Notes of the Issuer and claims in respect of the Senior Non-Preferred Notes of the Issuer);

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

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

“**Specified Office**” has the meaning given in the Agency Agreement;

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

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

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

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

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Condition 5(D) (*Fallback – Mid-Swap Rate*) and 5(E) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the relevant Subsequent Reset Period (such calculation to be made by the Calculation Agent));

“**Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Subsequent Reset Rate Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Substitute Issuer**” has the meaning given in Condition 18(C) (*Substitution*);

“**Successor Rate**” has the meaning given in Condition 9(G) (*Definitions*);

“**Supervisory Permission**” means, in relation to any action, such supervisory permission (or, as appropriate, waiver or non-objection) (if any) as is required therefor under the then prevailing Regulatory Capital Requirements and/or (in the case of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies or Senior Non-Preferred Notes) the Loss Absorption Regulations;

“**Talon**” means a talon for further Coupons;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (known as TARGET2) or any successor thereto;

“**TARGET Settlement Day**” means any day on which the TARGET System is open for the settlement of payments in euro;

“**Tax Event**” is deemed to have occurred if, as a result of a Tax Law Change:

- (i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or
- (ii) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is reduced; or
- (iii) the Notes are, or will be, prevented from being treated as loan relationships for United Kingdom tax purposes; or

- (iv) the Issuer is not, or will not be, able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the issue date of the last Tranche of the relevant Series of the Notes or any similar system or systems having like effect as may from time to time exist); or
- (v) the Notes or any part thereof are, or will be, treated as a derivative or an embedded derivative for United Kingdom tax purposes,

and, in any such case, the Issuer could not avoid the foregoing by taking measures reasonably available to it;

**“Tax Law Change”** means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Notes, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the issue date of the last Tranche of Notes of the relevant Series, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the issue date of the last Tranche of Notes of the relevant Series;

**“Tier 1 Capital”** has the meaning given to it from time to time in the Regulatory Capital Requirements;

**“Tier 2 Capital”** has the meaning given to it from time to time in the Regulatory Capital Requirements;

**“Winding-Up”** means if:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or an Extraordinary Resolution and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);
- (ii) following the appointment of an administrator of the Issuer, such administrator gives notice that it intends to declare and distribute a dividend; or
- (iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act; and

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

## 1.2 Interpretation

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, (in the case of Senior Preferred Notes unless the relevant Final Terms expressly specifies “Senior Preferred Notes: Gross-up of principal” as “Not Applicable” only) any Additional Amounts in respect of principal which may be payable under Condition 13 (*Taxation*) or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed or any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed or any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed; and
- (vii) if an expression is stated in Condition 1(A) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “Not Applicable” then such expression is not applicable to the Notes.

## 2. Form, Denomination, Title and Transfer

### (A) Bearer Notes

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

### (B) Title to Bearer Notes

Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “Holder” means the holder of such Bearer Note and “Noteholder” and “Couponholder” shall be construed accordingly.

### (C) Registered Notes

Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

**(D) Title to Registered Notes**

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “Certificate”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “Holder” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly.

**(E) Ownership**

The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.

**(F) Transfers of Registered Notes**

Subject to Conditions 2(J) (*Closed periods*) and 2(K) (*Regulations concerning transfers and registration*), a Registered Note may be transferred in whole or in part upon the surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Registered Notes will be issued to the transferor and in any case a further new Certificate will be issued to the transferee in respect of the part transferred.

**(G) Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer’s option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the Holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

**(H) Registration and delivery of Certificates**

Within three business days of the surrender of a Certificate in accordance with Condition 2(F) (*Transfers of Registered Notes*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(H) (*Registration and delivery of Certificates*), “business day” means a day on which commercial banks and foreign exchange markets settle payments generally in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

**(I) No charge**

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

**(J) Closed periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(D) (*Redemption for Capital Disqualification Event*) or 10(E) (*Redemption for Loss Absorption Disqualification Event*), (iii) after the Notes have been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

**(K) Regulations concerning transfers and registration**

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

**(L) No exchange**

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

**3. Status**

The Notes are either senior preferred Notes (“**Senior Preferred Notes**”), senior non-preferred Notes (“**Senior Non-Preferred Notes**”) or tier 2 capital Notes (“**Tier 2 Capital Notes**”), as specified in the relevant Final Terms.

**(A) Senior Preferred Notes**

The Senior Preferred Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and constitute ordinary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. The Senior Preferred Notes and any Coupons relating thereto 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 each Holder of a Coupon relating to a Senior Preferred Note acknowledge and agree that the Senior Preferred Notes and any such Coupons rank *pari passu* with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Issuer, present or future (other than Senior Non-Preferred Notes and other obligations of the Issuer which rank or are expressed to rank junior to the Senior Preferred Notes and other than such deposits, loans or other obligations of the Issuer which are given priority pursuant to applicable statutory provisions), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case the Senior Preferred Notes and such Coupons will rank as provided in the Ranking Legislation for ordinary non-preferential debt generally.

**(B) Senior Non-Preferred Notes**

The Senior Non-Preferred Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes of the Issuer and any Coupons relating thereto. The Senior Non-Preferred Notes of the Issuer 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 each Holder of a Coupon relating to a Senior Non-Preferred Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Senior Non-Preferred Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Senior Non-Preferred Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Senior Non-Preferred Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Senior Non-Preferred Note or any related Coupon, provided however that such rights and claims shall rank:

- (i) junior in right of payment in the manner provided in the Trust Deed to all claims in respect of Senior Preferred Notes and other ordinary non-preferential debt (as defined in the Ranking Legislation) of the Issuer and any other creditors of the Issuer which are given priority pursuant to applicable statutory provisions;
- (ii) *pari passu* with all other Senior Non-Preferred Claims; and
- (iii) in priority to all claims in respect of tertiary non-preferential debts (as defined in the Ranking Legislation) of the Issuer (including any Tier 2 Capital Notes of the Issuer),

save only where the Ranking Legislation provides otherwise for claims in respect of secondary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation

provides for claims in respect of secondary non-preferential debt generally (whether or not the Senior Non-Preferred Notes and any Coupons relating to them then constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

**(C) Tier 2 Capital Notes**

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute tertiary non-preferential debt of the Issuer for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Tier 2 Capital Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes and the Senior Non-Preferred Notes of the Issuer and in each case any Coupons relating thereto. The Tier 2 Capital Notes of the Issuer rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Tier 2 Capital Note or any beneficial interest therein, each Holder of a Tier 2 Capital Note and each Holder of a Coupon relating to a Tier 2 Capital Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Tier 2 Capital Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Tier 2 Capital Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Tier 2 Capital Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Tier 2 Capital Note or any related Coupon, provided however that such rights and claims shall be subordinated as provided in this Condition 3(C) (*Tier 2 Capital Notes*) and in the Trust Deed to all Senior Claims but shall rank:

- (i) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations of the Issuer which rank, or are expressed to rank, *pari passu* therewith; and
- (ii) in priority (x) to the claims of holders of all undated or perpetual subordinated obligations of the Issuer and any other obligations of the Issuer which rank or are expressed to rank junior to the Notes (including all subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute Tier 1 Capital) and (y) to the claims of holders of all classes of share capital of the Issuer.

**(D) No set-off**

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

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with any Notes, any related Coupons or the Trust Deed and each Holder shall, by virtue of his holding of any Note or Coupon, be deemed, to the extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or

in connection with any Notes or any related Coupons is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

**(E) Trustee Expenses**

Nothing in this Condition 3 (*Status*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

**4. Fixed Rate Note Provisions**

**(A) Application**

This Condition 4 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

**(B) Accrual of interest**

The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (*Fixed Rate Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

**(C) Fixed Coupon Amount**

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

**(D) Calculation of interest amount**

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 5. Reset Note Provisions

### (A) Application

This Condition 5 (*Reset Note Provisions*) is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

### (B) Accrual of interest

The Notes bear interest:

- (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date to (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Reset Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

### (C) Rate of Interest

The Rate of Interest applicable for each Reset Period shall, subject to Condition 9 (*Benchmark Discontinuation*), be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined on each Reset Determination Date. The Interest Amount payable on the Notes shall be calculated in accordance with the provisions for calculating amounts of interest in Condition 4 (*Fixed Rate Note Provisions*) and, for such purposes, Condition 4 (*Fixed Rate Note Provisions*) shall be construed accordingly.

### (D) Fallback – Mid-Swap Rate

Where the Reset Rate is specified as “Mid-Swap Rate” in the relevant Final Terms and if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Issuer shall request each of the Reference Banks to provide the Issuer 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. The Issuer will advise the Calculation Agent of any such Mid-Market Swap Rate Quotations received by it.

If two or more of the Reference Banks provide the Issuer with Mid-Market Swap Rate Quotations on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of

Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)).

If only one of the Reference Banks provides the Issuer with a Mid-Market Swap Rate Quotation on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the Reset Period shall be the sum of such Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)).

If on any Reset Determination Date none of the Reference Banks provides the Issuer with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(D) (*Fallback – Mid-Swap Rate*):

- (i) in the case of the first Reset Determination Date only, the First Reset Rate of Interest shall be equal to the sum of:
  - (a) if Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent));
  - (b) if Reset Maturity Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Reset Period Maturity Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)); or
  - (c) if Last Observable Mid-Swap Rate Final Fallback is specified in the applicable Final Terms as being applicable, (aa) 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 and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)),

provided that (in the case of an issue of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies, Senior Non-Preferred Notes or Tier 2 Capital Notes) if the application of (i)(b) or (i)(c) could, in the determination of the Issuer, reasonably be expected to prejudice the qualification of the relevant Series of Tier 2 Capital Notes as Tier 2 Capital or the relevant Series of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies or Senior Non-Preferred Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations, then (i)(a) above will apply; or

- (ii) in the case of any Reset Determination Date other than the first Reset Determination Date, the Subsequent Reset Rate of Interest shall be equal to the sum of:
- (a) if Subsequent Reset Rate Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)); or
  - (b) if Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) 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 and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent)),

provided that (in the case of an issue of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies, Senior Non-Preferred Notes or Tier 2 Capital Notes) if the application of this paragraph (ii)(b), in the determination of the Issuer, could reasonably be expected to prejudice the qualification of the relevant Series of Tier 2 Capital Notes as Tier 2 Capital or the relevant Series of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies or Senior Non-Preferred Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations, then (ii)(a) above will apply,

all as determined by the Calculation Agent in accordance with the provisions set out above.

**(E) Fallback – Benchmark Gilt Rate**

Where the Reset Rate is specified as “Benchmark Gilt Rate” in the relevant Final Terms and where no quotations with respect to the Benchmark Gilt are provided by the relevant Reference Banks, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest (though substituting, where a different First Margin or Subsequent Margin (as the case may be) specified in the relevant Final Terms is to be applied to the relevant Reset Period from that which applied (if any) to the last preceding Reset Period, the First Margin or Subsequent Margin (as the case may be) relating to the relevant Reset Period in place of that relating to that last preceding Reset Period).

**(F) Publication**

The Calculation Agent will cause each Rate of Interest determined by it and any other amount(s) required to be determined by it together with the relevant payment date(s) to be notified to the Issuer, the Paying Agents and the Trustee as soon as possible after such determination but in any event not later than the fourth Business Day thereafter and the Issuer shall thereafter notify, as soon

as possible, each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and, in accordance with Condition 21 (*Notices*), the Holders.

**(G) Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Reset Note Provisions*) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and all Holders and no liability to the Holders, Couponholders or (in the absence of wilful default or gross negligence) the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**6. Floating Rate Note Provisions**

**(A) Application**

This Condition 6 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

**(B) Accrual of interest**

The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

**(C) Screen Rate Determination – Floating Rate Notes other than Floating Rate Notes referencing SONIA**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms do not specify that the Reference Rate is SONIA, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent, subject to Condition 9 (*Benchmark Discontinuation*), on the following basis:

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

- (a) one rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (b) the other rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next longer than the length of the relevant Interest Period,

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

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

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period or, in the absence of a preceding Interest Period, the Rate of Interest applicable to the Notes during such Interest Period shall be the Initial Rate of Interest (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest specified in the relevant Final

Terms is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

**(D) Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)**

Where (i) Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, (ii) the relevant Final Terms specify that the Reference Rate is SONIA and (iii) Index Determination is specified as “Not Applicable” in the relevant Final Terms, the Rate of Interest for each Interest Period will, subject to Condition 9 (*Benchmark Discontinuation*) and as provided below, be Compounded Daily SONIA plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

“**Compounded Daily SONIA**” means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) as at the relevant Interest Determination Date, as follows:

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

where:

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

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

“**d<sub>o</sub>**” means:

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

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

- (i) where “Lag” is specified as the Observation Method in the relevant Final Terms, the first London Banking Day in the relevant Interest Period to, and including, the last London Banking Day in the relevant Interest Period; or

- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Final Terms, the first London Banking Day in the relevant Observation Period to, and including, the last London Banking Day in the relevant Observation Period;

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

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

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

“**p**” means:

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

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

“**SONIA<sub>i-pLBD</sub>**” means:

- (i) where “Lag” is specified as the Observation Method in the relevant Final Terms, in respect of any London Banking Day “**i**”, the SONIA reference rate for the London Banking Day falling “**p**” London Banking Days prior to such London Banking Day “**i**”; or
- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Final Terms, in respect of any London Banking Day “**i**”, the SONIA reference rate for that day.

If, in respect of any London Banking Day, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate

to the Bank Rate over the previous five London Banking 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).

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

If the relevant Series of Notes become due and payable in accordance with Condition 14 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

**(E) Screen Rate Determination – Floating Rate Notes Referencing SONIA (Index Determination)**

Where (i) Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, (ii) the relevant Final Terms specify that the Reference Rate is SONIA and (iii) Index Determination is specified as “Applicable” in the relevant Final Terms, the Rate of Interest for each Interest Period will, subject to Condition 9 (*Benchmark Discontinuation*) and as provided below, be the SONIA Compounded Index Rate plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

“**SONIA Compounded Index Rate**” means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) on the Interest Determination Date in accordance with the following formula:

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

where:

“**London Banking Day**” and “**Observation Period**” have the meanings set out under Condition 6(D) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)*);

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

“**p**” means the number of London Banking Days included in the SONIA Compounded Index Observation Shift Period specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days);

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“**SONIA Compounded Index<sub>START</sub>**” means, with respect to an Interest Period, the SONIA Compounded Index Value on the first day of the relevant Observation Period;

“**SONIA Compounded Index<sub>END</sub>**” means the SONIA Compounded Index Value on the last day of the relevant Observation Period; and

“**SONIA Compounded Index Value**” means, in relation to any London Banking Day, the value of the SONIA Compounded Index as published on the Relevant Screen Page on such London Banking Day or, if the value of the SONIA Compounded Index cannot be obtained from the Relevant Screen Page, as published on the Bank of England’s website at [www.bankofengland.co.uk/boeapps/database/](http://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) in respect of the relevant London Banking Day.

Subject to Condition 9 (*Benchmark Discontinuation*), if the SONIA Compounded Index Value is not available in relation to any Interest Period on the Relevant Screen Page or the Bank of England’s website (or such other page or website referred to in the definition of “SONIA Compounded Index Value” above) for the determination of either or both of SONIA Compounded Index<sub>START</sub> and SONIA Compounded Index<sub>END</sub>, the Rate of Interest for such Interest Period shall be “Compounded Daily SONIA” determined as set out in Condition 6(D) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)*) above plus or minus (as indicated in the relevant Final Terms) the applicable Margin and as if Index Determination were specified in the applicable Final Terms as being “Not Applicable”, and for these purposes: (A) (i) the “Observation Method” shall be deemed to be “Observation Shift” and (ii) the “Observation Shift Period” shall be deemed to be equal to the “SONIA Compounded Index Observation Shift Period”, as if those alternative elections had been made in the applicable Final Terms; and (B) the “Relevant Screen Page” shall be deemed to be the “Relevant Fallback Screen Page” specified in the relevant Final Terms.

If the relevant Series of Notes become due and payable in accordance with Condition 14 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

**(F) Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise specified in the relevant Final Terms, the Minimum Rate of Interest shall be zero.

**(G) Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

**(H) Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and the Trustee and the Issuer shall notify each competent authority and/or stock exchange on which the Notes are for the time being admitted to listing and/or trading as soon as possible after such determination but in any event not later than the fourth Business Day thereafter. Notice thereof shall also be given to the Noteholders by the Issuer in accordance with Condition 21 (*Notices*) as soon as possible after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. Any such recalculation will promptly be notified to each competent authority and/or stock exchange on which the Notes are for the time being admitted to listing and/or trading and to the Noteholders in accordance with Condition 21 (*Notices*). If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

**(I) Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note Provisions*) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and all Holders and no liability to the Holders, Couponholders or (in the absence of wilful default or gross negligence) the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**7. Zero Coupon Note Provisions**

**(A) Application**

This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

**(B) Late payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the issue date of the first Tranche of the relevant Series of Notes to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## **8. Fixed/Floating Rate Notes**

### **(A) Application**

This Condition 8 (*Fixed/Floating Rate Notes*) is applicable to the Notes only if the Fixed Rate Note Provisions and the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

### **(B) Fixed/Floating Rate**

The Issuer may issue Notes (i) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms, in either case, as set out in the relevant Final Terms.

## **9. Benchmark Discontinuation**

This Condition 9 (*Benchmark Discontinuation*) applies to Floating Rate Notes and to Reset Notes.

### **(A) Independent Adviser**

Notwithstanding the fallback provisions provided for in Condition 5(D) (*Fallback – Mid-Swap Rate*), Condition 5(E) (*Fallback – Benchmark Gilt Rate*), Condition 6(C) (*Screen Rate Determination – Floating Rate Notes other than Floating Rate Notes referencing SONIA*), Condition 6(D) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)*) or Condition 6(E) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Index Determination)*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise (in good faith and in a commercially reasonable manner) the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(B) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 9(C) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 9(D) (*Benchmark Amendments*)).

If the Issuer is unable to appoint an Independent Adviser, the Issuer may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(B) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 9(C) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 9(D) (*Benchmark Amendments*)).

In making any such determination, the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Issuer and the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it and for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 9 (*Benchmark Discontinuation*).

If the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an Adjustment Spread in accordance with this Condition 9 (*Benchmark Discontinuation*) 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 the Initial Rate of Interest. Where a different Margin, 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, Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this sub-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, this Condition 9 (*Benchmark Discontinuation*).

**(B) Successor Rate or Alternative Rate**

If the Issuer, following consultation with the Independent Adviser (if any), determines that:

- (i) 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 9 (*Benchmark Discontinuation*)); or
- (ii) 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 9 (*Benchmark Discontinuation*)).

**(C) 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), including for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable) subject to the subsequent operation of this Condition 9 (*Benchmark Discontinuation*).

If the Issuer, following consultation with the Independent Adviser (if any), is unable to determine the Adjustment Spread (or the formula or methodology for determining such Adjustment Spread) then the fallback provisions described in the final sub-paragraph of Condition 9(A) (*Independent Adviser*) shall apply. For the avoidance of doubt, this sub-paragraph shall apply to the relevant next succeeding Interest Period, and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first sub-paragraph of Condition 9(A) (*Independent Adviser*).

**(D) Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 9 (*Benchmark Discontinuation*) and the Issuer, following consultation with the Independent Adviser (if any), determines (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, 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 9(E) (*Notices, etc.*), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee, the Calculation Agent and the Principal Paying Agent of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 9(E) (*Notices, etc.*), the Trustee, the Calculation Agent and the Principal Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer and use reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Trustee, the Calculation Agent and the Principal Paying Agent shall not be liable to any party for any consequences thereof, provided that the Trustee, the Calculation Agent and the Principal Paying Agent shall not be obliged so to concur or use such endeavours if in the opinion of the Trustee, the Calculation Agent and the Principal Paying Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way. For the avoidance of doubt, no Noteholder or Couponholders consent shall be required in connection with effecting any Benchmark Amendments or such other changes, including for the execution of any documents, amendments or other steps by the Issuer, the Trustee, the Calculation Agent or the Principal Paying Agent (if required).

In connection with any such variation in accordance with this Condition 9(D) (*Benchmark Amendments*) 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 9 (*Benchmark Discontinuation*), 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 either (i) to prejudice the qualification of the Notes as Tier 2 Capital of the Issuer and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations or (ii) (in the

case of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies or Senior Non-Preferred Notes only) to result in the relevant Competent Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date for the purposes of the Loss Absorption Regulations (if applicable).

**(E) Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 9 (*Benchmark Discontinuation*) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), 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, the Calculation Agent and the Principal Paying Agent of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Principal Paying Agent a certificate signed by two Authorised Signatories of the Issuer:

- (i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate and, (C) the applicable Adjustment Spread and/or (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 9 (*Benchmark Discontinuation*); and
- (ii) 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 Principal Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. For the avoidance of doubt, each of the Trustee, the Calculation Agent and the Principal Paying Agent shall not be liable to the Holders or any other such person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments 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 (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's, Calculation Agent's and Paying Agents' respective abilities to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders and Couponholders.

**(F) Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Condition 9(A) (*Independent Adviser*), Condition 9(B) (*Successor Rate or Alternative Rate*), Condition 9(C) (*Adjustment Spread*) and Condition 9(D) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 5(D) (*Fallback – Mid-Swap Rate*), Condition 5(E) (*Fallback – Benchmark Gilt Rate*), Condition 6(C) (*Screen Rate Determination – Floating Rate Notes other than Floating Rate Notes referencing SONIA*), Condition 6(D) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA (Non-Index Determination)*) or Condition 6(E) (*Screen*

*Rate Determination – Floating Rate Notes Referencing SONIA (Index Determination)*), as the case may be, will continue to apply unless and until a Benchmark Event has occurred and the Trustee has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 9(E) (*Notices, etc.*).

**(G) Definitions**

As used in this Condition 9 (*Benchmark Discontinuation*):

“**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:

- (i) in the case of a Successor Rate, 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)
- (ii) the Issuer, following consultation with the Independent Adviser (if any), determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions which reference the Original Reference Rate to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer, following consultation with the Independent Adviser (if any), determines that no such spread is customarily applied)
- (iii) the Issuer, following consultation with the Independent Adviser (if any), 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, following consultation with the Independent Adviser (if any), determines that no such industry standard is recognised or acknowledged)
- (iv) the Issuer, following consultation with the Independent Adviser (if any), determines to be appropriate;

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser (if any), determines in accordance with Condition 9(B) (*Successor Rate or Alternative Rate*) 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 9(D) (*Benchmark Amendments*);

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

- (ii) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) the making of 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; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be no longer representative of an underlying market; or
- (vi) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer 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 (ii) and (iii) 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 (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) 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 experience appointed by the Issuer at its own expense under Condition 9(A) (*Independent Adviser*) and notified in writing to the Trustee;

**“Original Reference Rate”** means the originally-specified benchmark or screen rate (or any relevant component part(s) thereof) (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes or, if applicable, any other successor or alternative rate (or any component part thereof) determined and applicable to the Notes pursuant to the earlier operation of this Condition 9 (*Benchmark Discontinuation*);

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

- (i) 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
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (aa) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (bb) any central bank or other supervisory authority which is

responsible for supervising the administrator of the benchmark or screen rate (as applicable), (cc) a group of the aforementioned central banks or other supervisory authorities or (dd) 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.

## **10. Redemption and Purchase**

### **(A) Scheduled redemption**

Unless previously redeemed, or purchased and cancelled or (pursuant to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), Condition 10(N) (*Substitution and Variation of Tier 2 Capital Notes*) or Condition 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*)) substituted, the Notes will be redeemed at their Final Redemption Amount, together with accrued and unpaid interest, on the Maturity Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable).

### **(B) Redemption at the option of the Issuer**

Subject to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes or Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) in the case of Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes, if Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer giving not less than 30 nor more than 60 days’ notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and the Noteholders in accordance with Condition 21 (*Notices*), or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) (together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date (Call)).

### **(C) Redemption for Tax Event**

Subject to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes, Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) in the case of Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes or Condition 10(M) (*Pre-condition to Redemption of Senior Preferred Notes*) in the case of Senior Preferred Notes (if applicable), if a Tax Event has occurred, the Notes may be redeemed at the option of the Issuer in whole, but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at their Early Redemption Amount (Tax), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days’ nor more than 60 days’ prior notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and

the Noteholders in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(C) (*Redemption for Tax Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(C) (*Redemption for Tax Event*).

**(D) Redemption for Capital Disqualification Event**

In the case of any Series of Tier 2 Capital Notes only and subject to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), if a Capital Disqualification Event has occurred, the Issuer may, at its option, redeem the Tier 2 Capital Notes, in whole but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at the relevant Optional Redemption Amount (Capital Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and the Holders of the Tier 2 Capital Notes in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(D) (*Redemption for Capital Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(D) (*Redemption for Capital Disqualification Event*).

**(E) Redemption for Loss Absorption Disqualification Event**

This Condition 10(E) (*Redemption for Loss Absorption Disqualification Event*) applies in respect of all Series of Senior Preferred Notes and Senior Non-Preferred Notes except for any Series where "Senior Preferred Notes and Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption" is expressly specified to be "Not Applicable" in the relevant Final Terms.

Subject to Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), if Loss Absorption Disqualification Call is specified in the relevant Final Terms as being applicable and a Loss Absorption Disqualification Event has occurred, the Issuer may, at its option, redeem the relevant Series of Notes, in whole but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at the relevant Optional Redemption Amount (Loss Absorption Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and the Holders of the Notes in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(E) (*Redemption for Loss Absorption Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(E) (*Redemption for Loss Absorption Disqualification Event*).

This Condition 10(E) (*Redemption for Loss Absorption Disqualification Event*) will not apply to the extent such application would cause a Loss Absorption Disqualification Event to occur.

**(F) Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(B) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Issuer considers appropriate, subject to compliance with applicable law and the rules of each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and the notice to Noteholders referred to in Condition 10(B) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

**(G) No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(A) (*Scheduled redemption*) to 10(F) (*Partial redemption*) above.

**(H) Early redemption of Zero Coupon Notes**

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the issue date of the first Tranche of the relevant Series of Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 10(H) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

**(I) Purchase**

Subject to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes or Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) in the case of Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes and notwithstanding Condition 3 (*Status*), the Issuer or any of its subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise, provided that all unmatured Coupons are purchased therewith.

**(J) Cancellation**

All Notes which are redeemed pursuant to this Condition 10 (*Redemption and Purchase*) will be cancelled (together, in the case of Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer or any such subsidiary, cancelled.

**(K) Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes**

This Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) applies to Tier 2 Capital Notes only.

Notwithstanding any other provision in this Condition 10 (*Redemption and Purchase*), any redemption, purchase, substitution or variation of the Tier 2 Capital Notes (and giving of notice thereof to the Holders if required) pursuant to Conditions 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(D) (*Redemption for Capital Disqualification Event*), 10(I) (*Purchase*) or 10(N) (*Substitution and Variation of Tier 2 Capital Notes*) shall, if and to the extent then required under prevailing Regulatory Capital Requirements, be subject to:

- (i) the Issuer obtaining prior Supervisory Permission therefor;
- (ii) in the case of any redemption or purchase prior to the Maturity Date either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the Issuer would, following such redemption or purchase, exceed the requirements laid down in the Regulatory Capital Requirements and Loss Absorption Regulations, by a margin that the Competent Authority considers necessary at such time; and
- (iii) in the case of any redemption or purchase prior to the fifth anniversary of the issue date of the last Tranche of the relevant Series of Notes, if and to the extent then required under prevailing Regulatory Capital Requirements:
  - (a) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the issue date of the last Tranche of the relevant Series of Notes; or
  - (b) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change (or pending change which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes was not reasonably foreseeable as at the issue date of the last tranche of Notes of the relevant Series; or
  - (c) in the case of a purchase pursuant to Condition 10(I) (*Purchase*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the

Issuer has (or will have), before or at the same time as such purchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

- (d) in the case of a purchase pursuant to Condition 10(I) (*Purchase*), the Notes being purchased for market-making purposes in accordance with the Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of any redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements permit the repayment, purchase, substitution or variation only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(D) (*Redemption for Capital Disqualification Event*) and 10(N) (*Substitution and Variation of Tier 2 Capital Notes*), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Securities comply with the definition thereof in Condition 1 (Interpretation) and (ii) in the case of a redemption pursuant to Condition 10(C) (*Redemption for Tax Event*) only, an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom and/or the Relevant Jurisdiction (as applicable) experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (v) (inclusive) of the definition of “Tax Event” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and opinion 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 Holders.

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

The provisions of this Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) shall have effect in relation to (i) any Series of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies and (ii) each Series of Senior Non-Preferred Notes.

The Issuer may only exercise a right to redeem, purchase, substitute or vary any such Notes pursuant to Conditions 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(E) (*Redemption for Loss Absorption Disqualification Event*), 10(I) (*Purchase*) and 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) if the Issuer has obtained prior Supervisory Permission therefor.

Notwithstanding the above conditions, if, at the time of any redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements or Loss Absorption Regulations permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(E) (*Redemption for Loss Absorption Disqualification Event*) and 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Loss Absorption Compliant Notes comply with the definition thereof in Condition 1 (Interpretation) and (ii) in the case of a redemption pursuant to Condition 10(C) (*Redemption for Tax Event*) only, an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom and/or the Relevant Jurisdiction (as applicable) experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (v) (inclusive) of the definition of “Tax Event” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and, where applicable, opinion 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 Holders.

**(M) Pre-condition to Redemption of Senior Preferred Notes**

The provisions of this Condition 10(M) (*Pre-condition to Redemption of Senior Preferred Notes*) shall have effect in relation to any Series of Senior Preferred Notes where the relevant Final Terms specify that Condition 3(D) (*No set-off*) is “Not Applicable”.

Prior to the publication of any notice of redemption of Senior Preferred Notes pursuant to Condition 10(C) (*Redemption for Tax Event*), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied and (ii) an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom and/or the Relevant Jurisdiction (as applicable) experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (v) (inclusive) of the definition of “Tax Event” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and opinion 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 Holders.

**(N) Substitution and Variation of Tier 2 Capital Notes**

This Condition 10(N) (*Substitution and Variation of Tier 2 Capital Notes*) applies to each Series of Tier 2 Capital Notes unless “Tier 2 Capital Notes: Substitution and Variation” is expressly specified to be “Not Applicable” in the relevant Final Terms.

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 21 (*Notices*), the Trustee, the Registrar (if applicable) and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or, as the case may be, variation of the Notes) but without any requirement for the consent or approval of the Holders, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 10(N) (*Substitution and Variation of Tier 2 Capital Notes*)) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 10(K) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 10(N) (*Substitution and Variation of Tier 2 Capital Notes*), as the case may be. The Trustee shall at the request and expense of the Issuer use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Qualifying Tier 2 Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Qualifying Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee’s opinion, more onerous obligations upon it or reduce its rights or protections.

In connection with any substitution or variation in accordance with this Condition 10(N) (*Substitution and Variation of Tier 2 Capital Notes*), 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.

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

This Condition 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) applies to each Series of Senior Preferred Notes and Senior Non-Preferred Notes unless “Senior Preferred Notes and Senior Non-Preferred Notes: Substitution and Variation” is expressly specified to be “Not Applicable” in the relevant Final Terms.

If a Loss Absorption Disqualification Event or a Tax Event has occurred, then the Issuer may, subject to Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 21 (*Notices*), the Trustee, the Registrar (if applicable) and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or, as the case may be, variation of the Notes) but without any requirement for the consent or approval of the Holders, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes, and the Trustee shall (subject to the following provisions of this Condition 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*)) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 10(L) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) and in the definition of Loss Absorption

Compliant Notes) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), as the case may be. The Trustee shall at the request and expense of the Issuer use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Loss Absorption Compliant Notes, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Loss Absorption Compliant Notes or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or reduce its rights or protections.

In connection with any substitution or variation in accordance with this Condition 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*), 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.

## **11. Payments – Bearer Notes**

This Condition 11 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

### **(A) Principal**

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with a bank in the Principal Financial Centre of that currency.

### **(B) Interest**

Payments of interest shall, subject to Condition 11(H) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(A) (*Principal*).

### **(C) Payments in New York City**

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest and principal on the Notes in the currency in which the payment is due when due; (ii) payment of the full amount of such interest and/or principal (as the case may be) at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### **(D) Payments subject to fiscal laws**

Save as provided in Condition 13 (*Taxation*), payments in respect of the Bearer Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its agents are or agree to be subject

and the Issuer or any of its Paying Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(E) Deductions for unmatured Coupons**

If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented for payment without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “Relevant Coupons”) being equal to the amount of principal due for payment; provided, however, that where this Condition 11(E)(ii)(a) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (b) a sum equal to the aggregate amount of the Relevant Coupons will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(A) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

**(F) Unmatured Coupons void**

If the relevant Final Terms specify that the Reset Note Provisions are applicable or that the Floating Rate Note Provisions are applicable, on the due date for redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(B) (*Redemption at the option of the Issuer*), 10(C) (*Redemption for Tax Event*), 10(D) (*Redemption for Capital Disqualification Event*) or 10(E) (*Redemption for Loss Absorption Disqualification Event*) or 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

**(G) Payments on business days**

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

**(H) Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(C) (*Payments in New York City*)).

**(I) Partial payments**

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

**(J) Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

**12. Payments – Registered Notes**

This Condition 12 (*Payments – Registered Notes*) is only applicable to Registered Notes.

**(A) Principal**

Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

**(B) Interest**

Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

**(C) Payments subject to fiscal laws**

Save as provided in Condition 13 (*Taxation*), payments in respect of the Registered Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its agents are or agree to be subject and the Issuer or any of its agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

**(D) Payments on business days**

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day or otherwise from any delay in receipt of a payment made in accordance with this Condition 12.

**(E) Partial payments**

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

**(F) Record date**

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the 15th business day before the due date for such payment (the "**Record Date**").

**13. Taxation**

**(A) Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall (a) in the case of each Series of Senior Preferred Notes, in each case unless the relevant Final Terms expressly specifies "Senior 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 (x) all Tier 2 Capital Notes and Senior Non-Preferred Notes and (y) each Series of Senior Preferred Notes for which the relevant Final Terms expressly specifies "Senior Preferred Notes: Gross-up of principal" as "Not Applicable", in respect of payments of interest (if any) only

and not principal, pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (i) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Note or Coupon;
- (ii) where (in the case of a payment of interest on redemption) the relevant Certificate is surrendered, or the appropriate Coupon is presented and surrendered, for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on surrendering such Certificate or Coupon for payment on the last day of such period of 30 days;
- (iii) where the Holder is or would have been able to avoid such withholding or deduction by complying with any applicable statutory requirements or by making a declaration of non-residence or other similar claim for exemption.

References in these Conditions to interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

**(B) FATCA**

Notwithstanding any other provisions of the Trust Deed, any amounts to be paid on the Notes 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.

**14. Events of Default**

**(A) Senior Preferred Notes and Senior Non-Preferred Notes (Unrestricted Default)**

The provisions of this Condition 14(A) (*Senior Preferred Notes and Senior Non-Preferred Notes (Unrestricted Default)*) shall have effect in relation to any Series of Senior Preferred Notes and in relation to any Series of Senior Non-Preferred Notes, in each case where the relevant Final Terms expressly specify that Condition 14(B) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) is “Not Applicable”.

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of

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

- (i) Non-payment: any principal or interest on the Notes has not been paid within seven days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment; or
- (ii) Breach of other obligations: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and (unless in the opinion of the Trustee such default is incapable of remedy, in which case no such written notice shall be required) that default has not (in the opinion of the Trustee) been remedied within 30 days of receipt of a written notice from the Trustee requiring the same to be remedied and the Trustee has certified that in its opinion the default is materially prejudicial to the interests of the Holders; or
- (iii) Winding-up: a Winding-Up of the Issuer.

The Trustee may, at any time at its discretion and without notice (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), institute such proceedings or take such steps or actions as it may think fit against the Issuer to enforce the terms of these Conditions, the Trust Deed or the Agency Agreement.

**(B) Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)**

The provisions of this Condition 14(B) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) shall have effect in relation to (i) any Series of Senior Preferred Notes and any Series of Senior Non-Preferred Notes, in each case where the relevant Final Terms expressly specify that Condition 14(B) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) is “Applicable” and (ii) each Series of Tier 2 Capital Notes.

- (i) If the Issuer does not make payment in respect of the Notes (in the case of payment of principal) for a period of seven days or more or (in the case of any interest payment) for a period of 14 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Notes and the Trustee, in its discretion, may, or if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, institute proceedings for the winding-up of the Issuer.

In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding shall, subject in each case to being

indemnified and/or secured and/or pre-funded to its satisfaction, prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 3 (*Status*), or, in the case of Senior Preferred Notes only, being the Early Redemption Amount (Events of Default) together with any accrued and unpaid interest thereon to the date of repayment.

- (ii) Without prejudice to Condition 14(B)(i) but subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, the Trustee may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes and any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 14(B)(ii) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 3 (*Status*) and 14(B)(i).

**(C) Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes**

The provisions of this Condition 14(C) (*Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes*) shall have effect in relation to each Series of Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes.

- (i) The Trustee shall not be bound to take any of the actions referred to in Condition 14(A) (*Senior Preferred Notes and Senior Non-Preferred Notes (Unrestricted Default)*) or 14(B) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (ii) No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Holder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in this Condition 14 (*Events of Default*).
- (iii) No remedy against the Issuer, other than as referred to in this 14 (*Events of Default*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

## **15. Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within 10 years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest in respect of Registered Notes shall become void unless made or (where surrender of Certificates is required) the relevant Certificates are surrendered for payment within 10 years of the appropriate Relevant Date.

## **16. Replacement of Notes and Coupons**

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

## **17. Agents**

The initial Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agents and their initial Specified Offices are listed below. They act solely as agents of the Issuer or the Trustee (as applicable) and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agents and to appoint replacement agents or other Transfer Agents, provided that it will:

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

Notice of any such termination or appointment and of any change in the Specified Offices of the Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agents will be given to the Holders in accordance with Condition 21 (*Notices*). If any of the Calculation Agent, the Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Calculation Agent, the Registrar or the Principal Paying Agent in relation to the Notes and the Coupons shall (save in the case

of manifest error) be final and binding on the Issuer, the Trustee, the Calculation Agent, the Registrar, the Principal Paying Agent and the Holders. All calculations and determinations made by the Calculation Agent pursuant to these Conditions will be made in consultation with the Issuer.

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

### **(A) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Holders (including by way of conference call or other virtual means) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, subject, in the case of Tier 2 Capital Notes, Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes, to Condition 18(E) (*Supervisory Permission*). Such a meeting may be convened by the Issuer, by the Trustee at its own discretion or by the Trustee at the direction of Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding status and subordination referred to in Condition 3 (*Status*), the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or varying the method of calculating the Rate of Interest) and certain other provisions of the Trust Deed the quorum 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, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Holders or Couponholders shall not be required in the case of (i) the implementation of any Benchmark Amendments described in Condition 9(D) (*Benchmark Amendments*) and (ii) any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) and 10(N) (*Substitution and Variation of Tier 2 Capital Notes*) in connection with the variation of the terms of the Notes so that they remain or become Qualifying Tier 2 Securities or Loss Absorption Compliant Notes, as the case may be, and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 10(O) (*Substitution and Variation of Senior Preferred Notes and Senior Non-Preferred Notes*) or 10(N) (*Substitution and Variation of Tier 2 Capital Notes*), as the case may be.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Noteholders and Couponholders, whether or not they are present at the meeting.

The Trust Deed provides that (i) a resolution passed, at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) if applicable, 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 holder(s) of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case be effective as an Extraordinary Resolution of the Holders. Any resolution in writing may be

contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

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

**(B) Modification and waiver**

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. The Trustee may, without the consent of the Holders of any Series, determine that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) should not be treated as such, provided that, in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

In addition, the Trustee shall be obliged to concur with the Issuer and use its reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 9 (*Benchmark Discontinuation*) without the consent of the Holders or Couponholders.

Any such modification, authorisation, waiver or determination shall be binding on the Holders and Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

**(C) Substitution**

(i) The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution but without the consent of the Holders, to the substitution on a status equivalent to that referred to in Condition 3 (*Status*) and the relevant Final Terms of certain other entities (any such entity, a “**Substitute Issuer**”) in place of the Issuer (or any previous Substitute Issuer under this Condition) as a new principal debtor under the Trust Deed and the Notes.

(ii) In the case of any substitution pursuant to this Condition 18(C) (*Substitution*) the Trustee may agree, without the consent of the Holders, to a change of the law governing the subordination and waiver of set-off provisions set out in these Conditions and the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders.

**(D) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of Holders of the relevant Series of Notes as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person

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

**(E) Supervisory Permission**

In the case of any Series of Tier 2 Capital Notes, Senior Non-Preferred Notes or (where the relevant Final Terms specify that Condition 3(D) (*No set-off*) applies) Senior Preferred Notes, no modification to these Conditions or any other provisions of the Trust Deed and no substitution of the Issuer pursuant to this Condition 18 (*Meetings of Noteholders; Modification and Waiver; Substitution*) shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Issuer shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

**(F) Notices**

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise shall be notified to the Holders in accordance with Condition 21 (*Notices*) as soon as practicable thereafter.

**19. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders, but subject to any Supervisory Permission required, create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single Series with the Notes.

**20. Rights of the Trustee**

The Trust Deed contains provisions for the indemnification of, and/or the provision of security for and/or prefunding, the Trustee and for its relief from responsibility.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. However, the Trustee will have no recourse to the auditor in respect of such certificates or reports unless the auditor has agreed to address such certificates or reports to the Trustee.

Condition 3 (*Status*) applies only to amounts payable in respect of the Notes and nothing in Condition 3 (*Status*) or 14 (*Events of Default*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

## **21. Notices**

### **(A) Bearer Notes:**

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

### **(B) Registered Notes**

Notices to the Holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the first weekday (being a day other than a Saturday or Sunday) after the date of mailing.

### **(C) Notices given by Holders**

Notices to be given by any Holder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

### **(D) All Notices**

The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

## **22. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one thousandth of a percentage point (with 0.0005 per cent. being rounded up to 0.001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **23. Contracts (Rights of Third Parties) Act 1999**

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

## 24. **Governing Law and Jurisdiction etc.**

### **(A) Governing law**

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

### **(B) Jurisdiction**

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, any Notes or any Coupons (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Trustee has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings and waived any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

### **(C) Recognition of UK Bail-in Power**

Notwithstanding, and to the exclusion of, any other term of any Series of Notes or any other agreements, arrangements or understandings between the Issuer and any Noteholder (or the Trustee on behalf of such 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 Resolution Authority, and acknowledges, accepts, consents, and agrees to be bound by:

- (i) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in any of the following, or some combination thereof:
  - (a) the reduction of all, or a portion, of the Amounts Due;
  - (b) the conversion of all, or a portion, of the Amounts Due on 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;
  - (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;
  - (e) the variation of the terms of the Notes, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

No repayment or payment of Amounts Due on the Notes, Talons or Coupons will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes will be a default or an event of default for any purpose.

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall promptly give notice to the Noteholders and the Couponholders, the Trustee and the Paying Agents, in accordance with Condition 21 (*Notices*). Any delay or failure by the Issuer in delivering any notice referred to in this Condition shall not affect the validity and enforceability of the UK Bail-in Power.

For the purposes of this Condition 24(C) (*Recognition of UK Bail-in Power*),

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

“**Resolution Authority**” means the Bank of England or any successor or replacement thereto and/or such other authority in the United Kingdom with the ability to exercise the UK Bail-in Power.

“**UK Bail-in Power**” means any write-down, conversion, transfer, modification, moratorium and/or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of financial holding companies, mixed financial holding companies, 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 its subsidiaries, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Loss Absorption Regulations, as the same has been or may be amended from time to time.

## FORM OF FINAL TERMS

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

**[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** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently no key information document required 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/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended “**MiFID II**”)/MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. 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.]<sup>1</sup>

**[UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA/UK

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<sup>1</sup> To be inserted if a relevant Dealer on a particular issuance of Notes is a MiFID II manufacturer.

MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration 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.]<sup>2</sup>

[Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (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 capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).]<sup>3</sup>

**Final Terms dated [●]**

## **OSB GROUP PLC**

**Legal Entity Identifier (LEI): 213800ZBKL9BHSL2K459**

**Issue of [Currency][Aggregate Principal Amount of Tranche] [Title of Notes]**

**under the £3,000,000,000 Euro Medium Term Note Programme of OSB GROUP PLC**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the base prospectus dated 5 April 2023 [and the supplemental base prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK Prospectus Regulation**”). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented].

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

1. Issuer: OSB GROUP PLC

#### **DESCRIPTION OF THE NOTES**

2. (i) Series Number: [●]

(ii) Tranche Number: [●]

<sup>2</sup> To be inserted if a relevant Dealer on a particular issuance of Notes is a UK MiFIR manufacturer.

<sup>3</sup> Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offers, pursuant to s.309B of the SFA.

[(iii) [Date on which the Notes become fungible:	[Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/[the Issue Date]/[exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies:	[•]
4. Aggregate Principal Amount:	[•]
[(i)] [Series]:	[•]
[(ii) Tranche:	[•]]
5. Issue Price:	[•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations:	[•] [and integral multiples of [•] in excess thereof up to (and including) [•]. [No Notes in definitive form will be issued with a denomination above [•]].]
(ii) Calculation Amount:	[•]
7. (i) Issue Date:	[•]
(ii) Interest Commencement Date:	[•]/[Issue Date]/[Not Applicable]
8. Maturity Date:	[•]
9. Interest Basis:	[[•] per cent. Fixed Rate] [Reset Notes] [Floating Rate [•] Month [SONIA]/[EURIBOR] +/- [•] per cent.] [Zero Coupon] (see paragraph [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their principal amount.
11. Change of Interest or Redemption/Payment Basis:	[•]/[Not Applicable]
12. Call Options:	[Issuer Call (see paragraph [18] below)] [Not Applicable]
13. [(i)] Status of the Notes:	[Senior Preferred Notes] / [Senior Non-Preferred Notes] / [Tier 2 Capital Notes]
[(ii)] Senior Preferred Notes Waiver of Set-off:	Condition 3(d): [Applicable]/[Not Applicable]
[(iii)] Tier 2 Capital Notes, Senior Preferred Notes and	Condition 14(b): [Applicable]/[Not Applicable]

Senior Non-Preferred  
Notes Restricted Default:

- [(iv)] Senior Preferred Notes: [Applicable]/[Not Applicable]  
Gross-up of principal:
- [(v)] [Date Board approval for [•]]  
issuance of Notes obtained:

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

14. **Fixed Rate Note Provisions** [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [•]/[and [•]] in each year[, up to and including [•]/[the Maturity Date], commencing on [•]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling on [•]/[Not Applicable]
- (v) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30E/360]  
[Eurobond Basis]  
[30E/360(ISDA)]
15. **Reset Note Provisions** [Applicable]/[Not Applicable]
- (i) Initial Rate of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (ii) Reset Rate: [Mid-Swap Rate]/[Benchmark Gilt Rate]/[Reference Bond]
- (iii) First Margin: [+/-][•] per cent. per annum
- (iv) Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]<sup>4</sup>
- (v) Interest Payment Date(s): [•] [and [•]] in each year up to (and including) the Maturity Date, commencing on [•]
- (vi) Fixed Coupon Amount in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date: [[•] per Calculation Amount]/[Not Applicable]

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<sup>4</sup> For Notes which are intended to count as MREL, the Subsequent Margin shall be equal to the First Margin.

- (vii) Broken Amount(s): [[•]] per Calculation Amount payable on the Interest Payment Date falling [in]/[on] [•]/[Not Applicable]
- (viii) First Reset Date: [•]
- (ix) Subsequent Reset Date(s): [•] [and [•] ]/[Not Applicable]
- (x) Benchmark Frequency: [•]
- (xi) Relevant Screen Page: [•]
- (xii) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
- (xiii) Mid-Swap Maturity: [•]
- (xiv) Initial Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]  
- Initial Mid-Swap Rate: [•] per cent.
- (xv) Reset Maturity Initial Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]  
- Reset Period Maturity Initial Mid-Swap Rate: [•] per cent.
- (xvi) Last Observable Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xvii) Subsequent Reset Rate Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xviii) Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xix) First Reset Period Fallback: [•] per cent.
- (xx) Reference Rate: [SONIA]/[EURIBOR]/[•]
- (xxi) Reference Banks: [•]
- (xxii) Reference Bond Relevant Time: [•]
- (xxiii) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30E/360]  
[Eurobond Basis]  
[30E/360(ISDA)]
- (xxiv) Reset Determination Date(s): [•]/[The provisions of the Conditions apply]
- (xxv) Party responsible for calculating the Rate(s) of Interest and/or Interest [[•] shall be the Calculation Agent]

- Amount(s) (if not the  
[Principal Paying Agent]):
16. **Floating Rate Note Provisions** [Applicable]/[Not Applicable]/[Applicable from [•] to [•]  
[if so elected by the Issuer on or before [•]]]
- (i) Specified Period(s): [•]
- (ii) Interest Payment Dates: [•] [and [•]] in each year[, subject to adjustment in  
accordance with the Business Day Convention set out in (iv)  
below/, not subject to adjustment, as the Business Day  
Convention in (iv) below is specified to be Not Applicable]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Following Business Day Convention]  
[Modified Following Business Day Convention]  
[Modified Business Day Convention]  
[Preceding Business Day Convention]  
[FRN Convention]  
[Floating Rate Convention]  
[Eurodollar Convention]  
[No Adjustment]  
[Not Applicable]
- (v) Additional Business Centre(s): [Not Applicable]/[•]
- (vi) Manner in which the Rate(s) of Interest is/are to  
be determined: Screen Rate Determination
- (vii) Party responsible for calculating the Rate(s) of  
Interest and/or Interest  
Amount(s) (if not the  
[Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination: [Applicable]/[Not Applicable]
- (a) Reference Rate: [SONIA]/[EURIBOR]
- (b) Reference Bank(s): [•]
- (c) Interest Determination Date(s): [•]
- (d) Relevant Screen Page: [•]
- (e) Index Determination: [Applicable/Not Applicable]
- (f) Observation Method: [Lag/Observation Shift/Not Applicable]
- (g) Observation Look-Back Period: [5/[•] London Banking Days]/[Not Applicable]
- (h) Observation Shift Period: [5/[•] London Banking Days]/[Not Applicable]

- (i) SONIA Compounded Index Observation Shift Period: [5/[•] London Banking Days]/[Not Applicable]
- (j) Relevant Fallback Screen Page: [•]
- (k) Relevant Time: [[•] in the Relevant Financial Centre]/[as per the Conditions]
- (l) Relevant Financial Centre: [London]/[Brussels]/[New York City]/[•]
- (m) Designated Maturity: [•]/[Not Applicable]
- (n) Determination Time: [[•] [a.m.]/[p.m.] ([•] time)]/[Not Applicable]
- (o) Floating Rate Option: [•]
- (p) Reset Date: [•]
- (q) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
- (r) Margin(s): [+/-][•] per cent. per annum
- (s) Minimum Rate of Interest: [•] per cent. per annum
- (t) Maximum Rate of Interest: [•] per cent. per annum
- (u) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30E/360]  
[Eurobond Basis]  
[30E/360(ISDA)]
17. **Zero Coupon Note Provisions** [Applicable]/[Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to early Redemption Amounts: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30E/360]  
[Eurobond Basis]  
[30E/360(ISDA)]

**PROVISIONS RELATING TO REDEMPTION, SUBSTITUTION AND VARIATION**

18.	<b>Call Option</b>	[Applicable]/[Not Applicable]
	(i) Optional Redemption Date(s) (Call):	[•]/[Any date from (and including) [•] to (but excluding) [•]]
	(ii) Optional Redemption Amount (Call):	[[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) [•]] [and [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) the Maturity Date]]
	(iii) Series redeemable in part:	[Yes: [•] per cent. of the Aggregate Principal Amount of the Notes may be redeemed on [each]/[the] Optional Redemption Date (Call)]/[No]
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
	(b) Maximum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
	(v) Notice period:	Minimum period: [[•] days]/[as per the Conditions] Maximum period: [[•] days]/[as per the Conditions]
19.	<b>Senior Preferred Notes and Senior Non-Preferred Notes</b>	[Applicable]/[Not Applicable]
	(i) Senior Preferred Notes and Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption:	
	(ii) Loss Absorption Disqualification Event:	[Full Exclusion]/[Full or Partial Exclusion]/[Not Applicable]
	(iii) Optional Redemption Amount (Loss Absorption Disqualification Event):	[•] per Calculation Amount
	(iv) Senior Preferred Notes and Senior Non-Preferred Notes: Substitution and Variation:	[Applicable]/[Not Applicable]
	(v) Early Redemption Amount (Events of Default):	[•] <sup>5</sup>
20.	<b>Tier 2 Capital Notes</b>	[•] per Calculation Amount

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<sup>5</sup> Only needed for Senior Preferred Notes.

- (i) Optional Redemption Amount (Capital Disqualification Event): [Applicable]/[Not Applicable]
- (ii) Tier 2 Capital Notes: Substitution and Variation:
21. Early Redemption Amount (Tax): [•] per Calculation Amount
22. Final Redemption Amount: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•] per Calculation Amount
23. Redemption Amount for Zero Coupon Notes: [•]/[As per Condition 10(h)]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: **Bearer Notes:**  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]  
**Registered Notes:**  
 [Global Certificate exchangeable for Individual Certificates in the limited circumstances described in the Global Certificate]  
 [Global Certificate [(U.S.\$[•]/€[•] principal amount)] registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]/[Individual Certificates]
25. New Global Note: [Yes]/[No]/[Not Applicable]
26. New Safekeeping Structure: [Yes]/[No]/[Not Applicable]
27. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable]/[•]
28. Talons for future Coupons to be attached to Definitive Notes: [Yes]/[No]

#### THIRD PARTY INFORMATION

*[/Relevant third party information]* has been extracted from *[specify source]*. 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 information inaccurate or misleading.]

**SIGNED** on behalf of  
**OSB GROUP PLC:**

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. Listing

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the main market of the London Stock Exchange with effect from [●].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the main market of the London Stock Exchange with effect from [●].]
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. Ratings

- Ratings: The Notes to be issued [are expected to be rated [●] by Fitch / [●] by Moody's / [●] by Fitch and [●] by Moody's / have not been rated]

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

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

### 4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [see “Use of Proceeds” in the Base Prospectus/Give details]
- (ii) Estimated net proceeds: [●]

### 5. [Fixed Rate Notes only – YIELD]

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

### 6. OPERATIONAL INFORMATION

- (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) Any clearing system(s) other than Euroclear or Clearstream Luxembourg 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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for Registered Notes which are to be held under the NSS]*[and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. DISTRIBUTION

- (i) U.S. Selling Restrictions: [Reg. S Compliance Category [1]/[2];[TEFRA C]/[TEFRA D]/[TEFRA not applicable]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]  
*[If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no “key information document” will be prepared, “Applicable” should be specified]*
- (iii) Prohibition of Sales to UK Retail Investors: [Applicable]/[Not Applicable]  
*[If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no “key information document” will be prepared, “Applicable” should be specified]*
- (iv) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]
- (v) Method of distribution: [Syndicated]/[Non-syndicated]
- (vi) If syndicated [Not Applicable]/[●]
- (a) Names of Managers: [Not Applicable]/[●]

(b) Stabilisation [Not Applicable]/[•]  
Manager(s) (if any):

(vii) If non-syndicated, name and [Not Applicable]/[•]  
address of Dealer:

8. **BENCHMARK REGULATION** [[*specify benchmark*] is provided by [*administrator legal name*].  
As at the date hereof, [*administrator legal name*]  
[appears]/[does not appear] in the register of administrators and  
benchmarks established and maintained by the Financial  
Conduct Authority pursuant to Article 36 (Register of  
administrators and benchmarks) of the Benchmark Regulation  
(Regulation (EU) 2016/1011) as it forms part of domestic law  
by virtue of the EUWA (the “**UK BMR**”). [As far as the Issuer  
is aware, as at the date hereof, [•] does not fall within the scope  
of the UK BMR.]/[Not Applicable]

## FORMS OF THE NOTES

### **Bearer Notes**

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

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended) (“TEFRA C”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended) (“TEFRA D”) are applicable in relation to the Notes or that neither TEFRA C nor TEFRA D are applicable.

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

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

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

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

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

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:

- (a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;

- (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

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

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

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

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

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

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

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

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

### **Registered Notes**

Each Tranche of Registered Notes will be represented by either:

- (a) Individual Certificates; or
- (b) one or more Global Certificates,

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

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

Luxembourg and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

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

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

- (a) in the case of any Global Certificate, if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

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

Whenever a Global Certificate is to be exchanged for Individual Certificates, the Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, to the relevant Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

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

## **Summary of Provisions relating to the Notes while in Global Form**

### **Clearing System Accountholders**

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions to “**Noteholder**” or “**Holder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary, common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Certificates, references in the Conditions to “**Noteholder**” or “**Holder**” are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which will be a depositary or common depositary or common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a nominee for that depositary or common depositary or common safekeeper, as the case may be.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

### **Transfers of Interests in Global Notes and Global Certificates**

Transfers of interests in Global Notes and Global Certificates within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Certificate representing such interest.

### **Conditions applicable to Global Notes**

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or

Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

All payments of interest in respect of a Series of Notes represented by a Global Note or Global Certificate shall be calculated in respect of the total aggregate amount of the Notes represented by the relevant Global Note or Global Certificate.

*Payment Business Day:* in the case of a Global Note or a Global Certificate, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre specified in the Final Terms; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Certificate will be made to the person, being the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(f) (*Partial redemption*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Global Note or a Global Certificate and the Global Note or the Global Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Eurosystem Eligibility**

If the Global Notes or Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), on or prior to the original issue date of the Tranche, the Global Notes or Global Certificates will be delivered to a common safekeeper and the relevant Final Terms will set out whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem (“**Eurosystem eligible collateral**”).

Depositing the Global Notes or the Global Certificates intended to be held as Eurosystem eligible collateral with a common safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form or to be held under the NSS (as the case may be) which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer and its subsidiaries for its general corporate purposes, as may be more specifically set out in the Final Terms.

## INFORMATION ON THE GROUP

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this Base Prospectus.

### 1. BACKGROUND

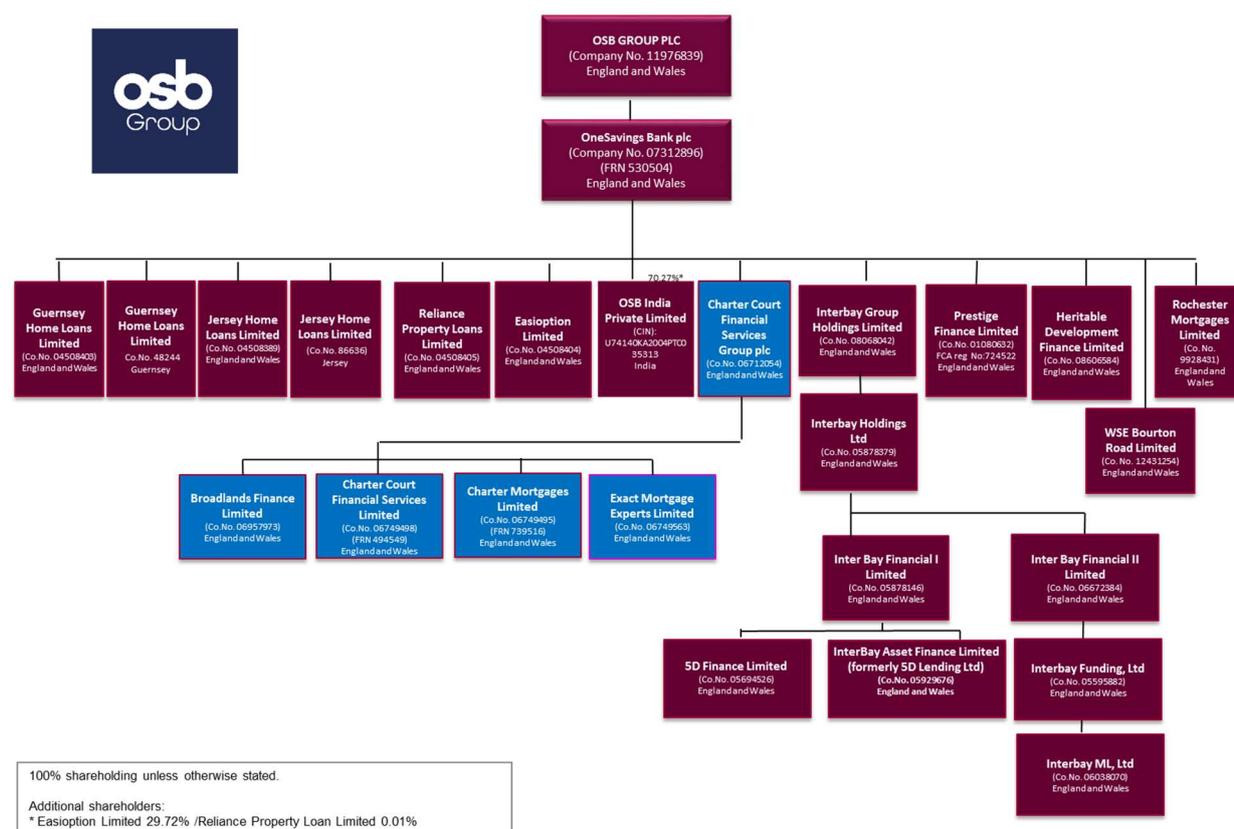
OneSavings Bank plc (“OSB”) was incorporated and registered in England and Wales on 13 July 2010 (Company Number: 07312896). OSB began trading as a bank on 1 February 2011 and was admitted to the main market of the London Stock Exchange in June 2014 (OSB.L). OSB joined the FTSE 250 index in June 2015. On 4 October 2019, OSB acquired Charter Court Financial Services Group plc (“CCFS”) and its subsidiary businesses.

The Issuer was incorporated and registered in England and Wales on 2 May 2019 (Company Number: 11976839). On 30 November 2020, the Issuer became the listed entity and holding company for the OSB Group.

The Issuer and its subsidiaries (the “Group”) provides specialist lending and retail savings and is authorised by the Prudential Regulation Authority (“PRA”), part of the Bank of England, and regulated by the Financial Conduct Authority and PRA.

The Issuer’s registered office is at OSB House Quayside, Chatham Maritime, Chatham, United Kingdom, ME4 4QZ. The Issuer is currently rated BBB- (long-term issuer default rating) by Fitch and Baa3 (long-term issuer rating) by Moody’s.

Below is a simplified structure chart of the corporate structure of the Group as at the date of this Base Prospectus.



## 2. BUSINESS OVERVIEW

### 2.1 Specialist mortgage lending

The Group reports its lending business under two segments: OSB and CCFS.

#### (A) *OneSavings Bank*

Through its various brands, OSB tailors its lending proposition to the specific needs of its borrowers. Under its Kent Reliance and InterBay brands, all of its loans are underwritten by experienced and skilled underwriters, supported by technology and with reference to scorecards and bureau data.

##### *Buy-to-Let/SME sub-segments*

- Buy-to-Let mortgages: OSB provides loans to limited companies and individuals, secured on residential property held for investment purposes. The target customers are experienced and professional landlords or high net worth individuals with established and extensive property portfolios.
- Commercial mortgages: OSB provides loans to limited companies and individuals, secured on commercial and semi-commercial properties held for investment purposes or for owner-occupation.
- Residential development: OSB provides development loans to small and medium-sized developers of residential property.
- Funding lines: OSB provides loans to non-bank finance companies secured against portfolios of financial assets, principally mortgages.
- Asset finance: OSB provides loans under hire purchase, leasing and refinancing arrangements to UK SMEs and small corporates to finance business-critical assets.

##### *Residential sub-segment*

- First charge: OSB provides loans to individuals, secured by a first charge against their residential home. The target customers include those with a high net worth and complex income customers and near-prime borrowers. OSB also has expertise in shared ownership, lending to first-time buyers and key workers buying a property in conjunction with a housing association.

#### (B) *Charter Court Financial Services*

Through its Precise Mortgages brand, CCFS uses an automated underwriting platform to manage mortgage applications and to deliver a decision in principle, based on its lending policy rules and credit scores. The platform is underpinned by underwriting expertise. The platform allows for consistent underwriting within the Group's risk appetite. A manual verification process further strengthens the disciplined approach to credit risk.

- Buy-to-Let: CCFS provides loans to professional and non-professional landlords with good quality credit history, through a wide product offering, including personal and limited company ownership.
- Residential first charge: CCFS provides a range of products to prime borrowers, complex prime borrowers (including self-employed) and near-prime borrowers.
- Bridging Loans: CCFS focuses on lending to customers with short-term cash flow needs, for example to cover light home improvements, auction purchases and also to "bridge" delays in obtaining mortgages and obtaining "chain breaks".

- Second Charge Mortgages: Second charge products under the Precise Mortgage brand were withdrawn in the first half of 2022 and are no longer available to new customers.

## 2.2 Funding platforms

### (A) Retail savings

The Group is predominantly funded by retail savings deposits sourced through two brands: Kent Reliance and Charter Savings Bank (“CSB”).

Kent Reliance is an award-winning retail savings franchise with over 150 years of heritage and nine branches in the South East of England. It also takes deposits via post, telephone and online, while CSB, a multi-award-winning retail savings bank, offers its products online and via post.

Both Kent Reliance and CSB have a wide range of savings products, including easy access, fixed term bonds, cash ISAs and business savings accounts, and have both diversified their retail funding sources through pooled funding platforms. The range of products sourced via these platforms includes easy access, longer-term bonds and non-retail deposits.

In 2022, both Kent Reliance and CSB won industry awards, including the prestigious Moneyfacts Consumer Awards for Best Bank Savings Provider, Best Cash ISA Provider and ISA Provider of the Year for CSB and Best Cash ISA Provider from Yourmoney.com Personal Finance Awards for Kent Reliance.

### (B) Securitisation platforms

The Group has built diversification opportunities to supplement its retail funding.

CCFS uses its securitisation platform as a means of providing low-cost term funding. Wholesale funding enables the business to rebalance the weighted average life of liabilities away from shorter duration retail funding and thereby optimise the funding mix. The Group recognises the cyclical nature of capital markets funding and therefore utilises it opportunistically, taking advantage of favourable market conditions.

CCFS is a programmatic issuer of high quality residential mortgage-backed securities through the Precise Mortgage Funding and Charter Mortgage Funding franchises, completing 14 securitisations worth more than £4.5 billion to 31 December 2022.

In 2019, OSB established its Canterbury Finance securitisation programme to enable it to issue high-quality residential mortgage-backed securities. It has since issued five securitisations of organically originated mortgages totalling £5.6 billion to 31 December 2022. OSB has also issued three deals totalling £971 million of owner-occupied and Buy-to-Let acquired mortgages via Rochester Financing since 2013.

The Group also has the capability to engage in transactions which could result in the full de-recognition of the underlying mortgage assets, through the sale of residual positions in its securitisation vehicles.

The Group also utilises the Bank of England’s funding schemes.

## 2.3 Operating model

The Group operates customer service functions in multiple locations across the UK including Chatham, Wolverhampton, Fareham, London and Fleet and in Bangalore and Hyderabad, India through its wholly-owned subsidiary, OSB India.

The Group has proven collections capabilities and expertise in case management and supporting customers in financial difficulty. This offers valuable insights into, as well as the opportunity to learn from, the performance of mortgage loan products. The Group has deep credit expertise through strong data analytical capabilities.

The Group delivers cost efficiencies through excellent process design and management. The Group has an efficient, scalable and resilient infrastructure supported by strong IT security, and continues to invest in enhancing its digital offering as customer demand changes.

## 2.4 Capital

As at 31 December 2022, the Group had a CET1 ratio of 18.3 per cent and a total capital ratio of 19.7 per cent. (31 December 2021: 19.6 per cent. and 21.2 per cent., respectively).

The change in the Group's CET1 ratio was due to profitability (increasing CET1 ratio by 4.8 per cent.), which was offset by loan book growth (reducing CET1 ratio by 2.8 per cent.), the 2022 ordinary dividend (reducing CET1 ratio by 1.5 per cent.), a fair value uplift on CCFS's net assets (reducing CET1 ratio by 0.1 per cent.), the impact of the £100m share repurchase programme completed in 2022 (reducing CET1 ratio by 1.1 per cent.) and the 2022 special dividend (reducing CET1 ratio by 0.6 per cent.).

The table below further breaks down the Group's capital requirement according to requirement type, instrument type and by capital resource.

<b>OSB GROUP Capital Position 31 December 2022</b>	<b>Amount</b>
<i>Minimum capital requirement by requirement type</i>	
Pillar 1	8.0%
Pillar 2A	1.5% <sup>1</sup>
Capital conservation buffer	2.5%
Countercyclical buffer	2.0%
<b>Total</b>	<b>14.0%</b>
<i>Minimum capital requirement by instrument type</i>	
CET1	9.8%
AT1	1.8%
Tier 2	2.4%
<b>Total</b>	<b>14.0%</b>

<sup>1</sup> The Pillar 2A requirement of 1.5 per cent. of RWAs includes a static integration add-on of £19.5 million.

## 3. DIRECTORS OF THE ISSUER

The Directors and their principal functions within the Group, together with the principal business activities of each outside the Group as at the date of this Base Prospectus, are set out below. Graham Allatt and Mary McNamara will resign as Directors at the Group's Annual General Meeting, which is scheduled to be held on 11 May 2023. The business address of each of the Directors (in such capacity) is OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ.

<b>Name</b>	<b>Position</b>	<b>Principal outside activities</b>
David Weymouth	Non-Executive Chairman	Chairman of Mizuho International Plc; Non-Executive Director of Marsh Limited; Non-Executive Director of Pension Insurance Corporation Group Limited; Chair Elect of Pension Insurance Corporation plc
Andy Golding	Chief Executive Officer	Director, Building Societies Trust Limited
April Talintyre	Chief Financial Officer	-

Noël Harwerth	Senior Independent Director		Non-Executive Director, Scotiabank Europe plc; Member, UK Export Finance Board
Graham Allatt	Independent Director	Non-Executive	-
Sarah Hedger	Independent Director	Non-Executive	-
Simon Walker	Independent Director	Non-Executive	H&T Group plc
Rajan Kapoor	Independent Director	Non-Executive	Non-Executive Director, Allica Bank Limited; Non-Executive Director, Revolut NewCo UK Ltd
Mary McNamara	Independent Director	Non-Executive	Senior Independent Director, Motorpoint plc
Kal Atwal	Independent Director	Non-Executive	Non-Executive Director of Admiral Financial Services Limited; Non-Executive Director of Whitbread plc; Non-Executive Director of WH Smith plc

The Board of Directors (the “**Board**”) is responsible for the long-term sustainable success of the Company and provides leadership to the Group. The Board focuses on generating value for shareholders by setting strategy, monitoring performance and ensuring that appropriate systems, controls and resources are in place to enable the Company to meet its objectives whilst safeguarding the interests of stakeholders and maintaining effective corporate governance.

The Board sets the tone from the top in relation to conduct and culture whilst acting with integrity and fully supports the Group’s purpose, vision and values.

The Board retains ultimate responsibility for setting the Group’s risk appetite and ensuring that there is an effective enterprise risk management framework to maintain levels of risk within the risk appetite. The Board regularly reviews its procedures for identifying, evaluating and managing risk, acknowledging that a sound system of internal control should be designed to manage rather than eliminate the risk of failure to achieve business objectives.

## SUPERVISION AND REGULATION

OSB and CCFSL are UK banks and are authorised by the Prudential Regulation Authority (the “**PRA**”) and regulated by the PRA and the Financial Conduct Authority (the “**FCA**”) (referred to as PRA-authorised or dual-regulated firms). Prestige Finance Limited (“**PFL**”) and Charter Mortgages Limited (“**CML**”) are UK mortgage lenders and are authorised and regulated by the FCA (referred to as FCA-authorised or solo-regulated firms).

### 1. UK REGULATORY FRAMEWORK

#### 1.1 Financial Services and Markets Act 2000

The most important piece of financial services legislation in the UK is the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”). FSMA prohibits any person from carrying on a “regulated activity” by way of business in the UK unless that person is authorised or exempt. Regulated activities include deposit-taking, certain insurance mediation activities, consumer credit activities and investment activities (such as dealing in investments as principal or as agent, advising on or managing investments, and entering into regulated mortgage contracts as a lender). FSMA also prohibits a person from making financial promotions in the UK, unless the financial promotion is issued or approved by an authorised firm or is exempt from the prohibition.

Since 29 December 2020, the UK holding companies of banks and PRA-designated investment firms have also been subject to approval by the PRA under FSMA, subject to certain exemptions. The introduction of this approval requirement was subject to transitional provisions for holding companies already established on that date (including the Issuer). On 27 October 2021, the Issuer received confirmation from the PRA that it was approved as a financial holding company under FSMA.

#### 1.2 Financial Services and Markets Bill 2022-23

The Financial Services and Markets Bill 2022-23 (“**FSM Bill**”) would, if passed establish a legislative framework for the revocation of all EU retained law, with the intention of the underlying requirements being transferred to either the regulators’ rule books or to legislation as appropriate. This is intended to (i) give the PRA and FCA greater rule making powers and (ii) tailor the requirements of EU derived financial services regulation to the needs of the UK. The FSM Bill also includes reforms in a number of areas including financial promotion, access to cash and gives the FCA and PRA a new regulatory objective to encourage them to place greater focus on medium to long-term growth and the UK’s international competitiveness.

#### 1.3 Key regulatory bodies

##### (A) The Prudential Regulation Authority

The PRA is responsible for the prudential regulation and supervision of banks (including OSB and CCFSL), building societies, credit unions, insurers and certain major investment firms. The PRA is a part of the Bank of England and its functions are exercised through the Bank of England’s Prudential Regulation Committee.

##### (B) The Financial Conduct Authority

The FCA has responsibility for the conduct of business and market regulation in relation to all authorised firms and for the prudential regulation of firms not authorised by the PRA (such as PFL and CML). The FCA also exercises certain market regulatory functions.

The FCA also has competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are concurrent with those of the Competition and Markets Authority (the “**CMA**”).

### **(C) The Financial Policy Committee**

The FPC is a part of the Bank of England and has the primary objective of identifying, monitoring, and taking action to remove or reduce systemic risks, with a view to protecting and enhancing the resilience of the UK financial system. It has a secondary objective to support the economic policy of the UK Government, including its objectives for growth and employment. The FPC's activities are relevant to the Group.

### **(D) Resolution authority**

The Bank of England acts as the UK's resolution authority for banks, building societies and certain investment firms. In that capacity, it is responsible for taking action to ensure the continuity of essential services of such financial institutions in circumstances where such financial institutions have encountered, or are likely to encounter, financial difficulties and to manage the failure of such financial institutions in an orderly way.

### **(E) PRA Rulebook, FCA Handbook and guidance**

Detailed rules and standards set by the PRA and the FCA are contained in the PRA Rulebook and the FCA Handbook respectively, and are supplemented by additional guidance materials.

In particular, authorised firms are obliged to comply with the FCA's Principles for Businesses, and, if they are PRA-authorised firms, the PRA's Fundamental Rules, which include requirements to:

- (a) conduct business with integrity and due skill, care and diligence;
- (b) maintain adequate financial resources;
- (c) treat customers fairly;
- (d) communicate with clients in a manner that is clear, fair and not misleading; and
- (e) communicate with regulators in an open and cooperative way, disclosing to the PRA and FCA appropriately anything relating to the firm of which they would reasonably expect notice.

## **1.4 Enforcement**

The PRA and the FCA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within those firms. Sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation or variation of a firm's permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm. The PRA or the FCA can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for twelve (12) months or that fails to meet the relevant threshold conditions.

## **2. PRUDENTIAL REGULATION**

The prudential regime that applies to UK banks largely derives from EU legislation. It is set out under:

- (a) Regulation (EU) 575/2013 (the "CRR"), as amended and as it now forms part of the domestic law of the UK pursuant to the European Union (Withdrawal) Act 2018 (as amended) (the "EUWA"), including as it has been amended by the laws of England and Wales (the "UK CRR");
- (b) UK law and regulatory rules implementing Directive 2013/36/EU (as amended) ("CRD IV"); and
- (c) other relevant UK domestic law and regulation.

This framework implements standards set at an international level by the Basel Committee on Banking Supervision, including under the Basel III framework.

## **(A) Capital**

A bank's ability to absorb losses is determined by the amount of capital it holds. Consequently, a bank's total assets and risk-weighted assets determine the minimum capital that a bank is required to hold, with that capital calculated as a percentage of its risk-weighted assets. The three types of regulatory capital set out in the UK CRR are:

- (a) CET1 capital, including common equity (as well as any share premium relating to such instruments) and retained earnings;
- (b) Additional Tier 1 capital, comprising deeply subordinated perpetual instruments issued in accordance with the requirements of the UK CRR (as well as any share premium relating to such instruments); and
- (c) Tier 2 capital, comprising dated or perpetual subordinated instruments issued in accordance with the requirements of the UK CRR (as well as any share premium relating to such instruments) and certain other risk-weighted exposure amounts.

The principal metrics used to assess capital strength are the CET1 ratio (CET1 capital : total risk exposure amount), total capital ratio, and the leverage ratio. The CRR sets out the minimum requirements ("**Pillar 1**") for institutions' own funds, including:

- (a) a CET1 capital ratio of four point five per cent. (4.5%);
- (b) a Tier 1 capital ratio of six per cent. (6%); and
- (c) a total capital ratio of eight per cent. (8%).

In addition to the Pillar 1 capital requirements, institutions are also subject to Pillar 2 capital requirements. This includes Pillar 2A (which is intended to take account of risks which are not adequately covered by Pillar 1 calculations) and Pillar 2B (which is intended to take account of risks including those to which institutions may become exposed over a forward-looking planning horizon). The level of capital required to be maintained by institutions under Pillar 2 is subject to ongoing review by the PRA.

The PRA requires UK banks to maintain a capital conservation buffer of CET1 capital equal to two point five per cent. (2.5%) of their total risk exposure amount and a countercyclical capital buffer of CET1 capital equal to their total risk exposure amount multiplied by their institution-specific countercyclical capital buffer rate. This consists of a weighted average of countercyclical buffer rates that apply to exposures in the jurisdictions where that firm's relevant credit exposures are located, calculated in accordance with a certain set of requirements. The UK's countercyclical buffer rate is currently one per cent (1%) and will be increased to two per cent (2%) with binding effect from 5 July 2023. Sector-specific or systemic buffers may also apply.

The UK CRR places a requirement on the ultimate UK parent undertakings of in-scope firms (including the Issuer) to comply with capital and leverage requirements on the basis of their consolidated situation.

## **(B) Liquidity**

A bank's ability to manage shocks to the financial system is assessed by the extent to which its assets are covered by funding with equal or longer maturity. The principal metrics to assess bank funding and liquidity are the Net Stable Funding Ratio ("**NSFR**") and Liquidity Coverage Ratio ("**LCR**").

The NSFR was implemented by the PRA in January 2022. The ratio seeks to calculate the proportion of long-term assets which are funded by long-term stable funding. The Basel framework states that a bank's NSFR must be at least one hundred per cent. (100%) on an ongoing basis.

The LCR is designed to ensure that financial institutions have the necessary assets available to withstand short-term liquidity disruptions. Banks are required to hold an amount of highly liquid assets equal to or greater than their net cash outflow over a thirty day (30) period.

### **(C) Leverage**

Under PRA rules, UK banks and building societies that have retail deposits equal to or greater than £50 billion or have non-UK assets in excess of £10 billion must hold, on both a solo and consolidated basis, sufficient Tier 1 capital to maintain, at all times, a minimum leverage ratio of three point two-five per cent. (3.25%). For the purposes of complying with the leverage ratio requirements, at least seventy-five per cent. (75%) of the relevant firm's Tier 1 capital must consist of CET1 capital. As at the date of this Prospectus, the Group does not fall within the scope of the leverage ratio regime.

### **(D) Large exposures**

The PRA also imposes restrictions on large exposures incurred by banks and requires capital deductions for funding arrangements (including loans and guarantees) entered into with connected parties where those arrangements are of a capital nature.

### **(E) Ring-fencing**

From 1 January 2019, certain UK banks are required to 'ring-fence' core banking services from wholesale and investment banking services (the "**Ring-fencing Regime**").

As a result, UK banks with £25 billion or more of retail deposits (in general terms, any deposits other than those from certain financial institutions, certain corporates and high net worth individuals who expressly "opt out"), are required to operate as a ring-fenced body ("**RFB**"). A bank that is required to "ring-fence" its retail banking activities is required to use its RFB to ensure that the "core activity" of accepting deposits, together with the "core services" associated with that activity, is structurally separated from certain "excluded activities" (including, for example, activities associated with investment and wholesale banking such as dealing in certain instruments as principal and dealing in commodities). The RFB is also subject to a number of other restrictions, including, for example, being prohibited from incurring exposures to certain types of financial institutions. In December 2022, HM Treasury announced its intention to consult on certain reforms to the ring-fencing regime in mid-2023 with a view to bring forward secondary legislation later in 2023. The proposed reforms on which HM Treasury is expected to consult include raising the threshold above which the ring-fencing regime starts to apply, taking banking groups without major investment banking operations out of the regime, removing certain geographical restrictions on ring-fenced banks operating outside the EEA and updating the list of activities which ring-fenced banks are restricted from carrying out.

At the date of publication of this Prospectus, the Group does not fall within the scope of the Ring-fencing Regime as the core deposit threshold is not met. However, in the event that the Group increases the value of deposits that it accepts in the future so that the core deposit threshold is met, and as a result becomes subject to the Ring-fencing Regime, the likely implementation and ongoing compliance costs could be significant.

## **(F) Reform**

The PRA and HM Treasury are currently consulting on their approach to implementing the remaining Basel II standards (commonly referred to as Basel 3.1). It is expected that the rules implementing these changes would come into effect on 1 January 2025, except for where any transitional measures apply. Basel 3.1 reforms introduce a number of concepts including an ‘output floor’ that ensures that risk-weighted assets (“**RWAs**”) calculated in accordance with firms’ internal models are no less than 77.5% of the RWAs that would apply if calculated based on the standardised approach and reforms to how regulatory capital for credit risk is assessed with, amongst other changes, the introduction of floors for individual elements of the calculation.

## **3. RESOLUTION**

### **(A) Legislative framework**

The Banking Act 2009 (as amended) (the “**Banking Act**”) gives substantial powers to HM Treasury, the Bank of England, the PRA and the FCA (together the “**Authorities**”) to resolve failing banks and their groups. Those powers are set out under the special resolution regime (the “**SRR**”) made under the Banking Act, which also implemented the provisions of Directive 2014/59/EU (as amended) (the “**BRRD**”) relating to the resolution of banks and certain other financial institutions.

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity, (b) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England, (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England, (d) the bail-in tool (as described below) and (e) temporary public ownership (nationalisation).

The bail-in tool involves allocating an entity’s losses to its shareholders and unsecured creditors in a manner that (i) respects 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). The preferred resolution strategy for the Group is bail-in with a single point of entry at the Issuer level.

If the Bank of England were to exercise its powers under the SRR, then the Notes could be cancelled, transferred or converted to equity.

In addition, the Banking Act allows the Bank of England to permanently write-down, or convert into equity, tier 1 capital instruments, tier 2 capital instruments (including the Tier 2 Capital Notes) and relevant internal liabilities at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option.

If the Bank of England were to exercise its mandatory write-down and conversion powers in relation to the Issuer, the Tier 2 Capital Notes could be written down or converted into equity.

Additionally, the Banking Act and rules and legislation made under it requires banking groups and their regulators to plan for how they might be rescued or resolved in a crisis scenario, including by making so-called resolution plans, and to take into account the Bank of England’s resolution powers when they issue capital and other debt instruments and enter into agreements creating liabilities.

### **(B) Minimum requirement for own funds and eligible liabilities**

UK banks are required at all times to meet minimum requirements for own funds and eligible liabilities (“**MREL**”). This is an institution-specific requirement, and the Bank of England is required to make a determination on a case-by-case basis of the appropriate MREL requirement for each resolution group (and for certain individual firms within such resolution groups) in the UK.

The Bank of England has given the Group a transitional period until 13 July 2024 to meet its interim MREL requirement and until 13 July 2026 to meet its new end-state MREL requirement. Until 13 July 2024, both the group consolidated MREL requirement and the internal MREL requirements that apply to OSB and CCFSL have been set at minimum regulatory capital requirements. From 13 July 2024, those requirements have been set at 18 per cent. of risk weighted assets and from 13 July 2026 as two times the binding minimum capital requirement. The Bank of England has stated that the end-state MREL requirement will not be specified as a percentage of risk weighted assets until the interim MREL is binding upon the Group.

For more information see Risk Factor 3.1.

## **4. CONDUCT OF BUSINESS REGULATION**

### **4.1 Senior Managers and Certification Regime**

The Senior Managers and Certification Regime (the “SM&CR”) has applied to banks (such as OSB and CCFSL) since 7 March 2016 and solo-regulated firms (including PFL and CML) since 9 December 2019. The SM&CR is intended to enhance personal responsibility for senior managers, as well as raise standards of conduct of key staff more broadly, supported by robust enforcement powers for the regulators. The regime consists of three main elements: (i) the Senior Managers Regime, (ii) the Certification Regime and (iii) the Conduct Rules.

The Senior Managers Regime focuses on individuals who carry out certain specified senior management functions for the firm (i.e. individuals who hold key roles or have overall responsibility for business areas of the firm in question). These individuals are required to be approved by the PRA and/or the FCA (depending on the nature of their role) prior to performing senior management functions and are subject to ongoing fitness and propriety assessments, and have a statutory duty of responsibility to take reasonable steps to prevent regulatory breaches occurring in their areas of responsibility.

The Certification Regime applies to employees who, while not senior managers, could pose a risk of significant harm to the firm and/or its customers. Such individuals must be certified by the firm to be fit and proper to carry out their roles both when taking up that role and on a continuing basis thereafter.

The conduct rules are high-level requirements that apply to all employees (except ancillary staff who perform a role that is not specific to the financial services business of the firm) of firms within the scope of the SM&CR. There are specific, additional conduct rules that apply to senior managers (and, to a more limited extent, non-executive directors who do not perform senior management functions).

HM Treasury has recently announced its intention to review the operation of aspects of the SM&CR but has not yet published details of which elements of the regime will be subject to that review.

### **4.2 Consumer credit regulation**

The framework for consumer credit regulation comprises FSMA and its secondary legislation, retained provisions in the Consumer Credit Act 1974 (as amended) (the “CCA”) and its retained secondary legislation, and rules and guidance in the FCA Handbook (including in particular, the Consumer Credit sourcebook). The FCA has had responsibility for consumer credit regulation since 2014 and is proactive in pursuing possible regulatory failures and poor practices (for example, by initiating its own investigations where consumer experience suggests that such an investigation is merited). Where consumer detriment is found, the FCA will use its powers of intervention, which might include enforcement action and/or securing redress for consumers. HM Treasury is currently consulting on proposals to replace the majority of the requirements of the CCA with FCA rules.

### 4.3 Consumer Duty

The FCA in 2023 is introducing a new duty to set higher and clearer standards of consumer protection across financial services (the “**Consumer Duty**”). The Consumer Duty will be implemented in three separate ways: (i) a new principle for business that will state "a firm must act to deliver good outcomes for retail clients"; (ii) a series of cross-cutting rules that will support the consumer principle by setting clear expectations for firms’ cultures and behaviours (they will be expected to act in good faith, avoid causing foreseeable harm to consumers and enable and support customers to pursue their financial objectives; (iii) four outcomes which will represent the key stages of the firm-consumer relationship such as how firms design or sell products to consumers (these outcomes will relate to quality of products and services, price and value of products and service, consumer understanding and consumer support). The Consumer Duty will come into force from 31 July 2023 for all new products and services, and existing products that remain on sale or are open for renewal. For products that are closed the Consumer Duty will come into force from 31 July 2024.

### 4.4 FCA regulation of regulated mortgages

#### (A) Legislative framework

The FCA regulates the provision of “regulated mortgage contracts” (defined in Article 61(3)(a) of the FSMA (Regulated Activities) Order 2001 (SI 2001/544)) as well as certain consumer Buy-to-Let mortgages.

The Mortgages and Home Finance: Conduct of Business sourcebook in the FCA Handbook, issued in October 2003, sets out rules for regulated mortgage activities which cover, among other things, pre- and post-contract sales disclosures, contract changes, arrears and repossessions, and charges. The FCA’s prudential sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries also includes requirements relating to the maintenance of capital resources by mortgage intermediaries and the allocation of responsibility for a firm’s insurance distribution and/or mortgage credit intermediation activities to a specific director or senior manager.

#### (B) Repossessions policy

A pre-action protocol relating to mortgage or home plan arrears where the relevant loan relates to residential property in England and Wales came into force on 19 November 2008 (the “**Pre-Action Protocol**”). The Pre-Action Protocol sets out guidance on the steps that lenders are expected to take before commencing a claim for possession. A number of mortgage lenders confirmed that they would delay the initiation of repossession action for at least three months after arrears start to accrue and where the property in question is occupied by the borrower.

### 4.5 Consumer rights

The main provisions of the Consumer Rights Act 2015 (as amended) (the “**CRA**”) came into force on 1 October 2015. Among other things, the CRA deals with unfair contract terms and consumer notices. The main effect of this legislation is to consolidate and reform the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarify the remedies that consumers have.

The CMA and the FCA have powers to challenge unfair terms in financial services consumer contracts as the regulators under the CRA. They may seek an undertaking from firms not to use an unfair contract term in its consumer contracts or apply to the court for an injunction from using the unfair term or enforcing the term against customers.

## **5. OTHER RELEVANT LEGISLATION AND REGULATION**

### **(A) Financial Services Compensation Scheme**

FSMA established the Financial Services Compensation Scheme (the “FSCS”), which pays compensation to eligible customers of certain types of authorised firms which are unable, or are likely to be unable, to pay claims against them. Broadly speaking, the aims of compensation payments are to provide redress for customers who are least able to sustain financial loss and, therefore, to assist in promoting consumer confidence in the financial system.

The actual level of compensation paid by the FSCS depends on the basis of claim. The FSCS only pays compensation for financial loss. Compensation limits apply on a “per person per firm” and “per claim category” basis, with a limit of £85,000 per person per firm or £170,000 for joint accounts in the case of claims relating to deposits.

The FSCS is funded by levies raised on authorised firms.

### **(B) Financial Ombudsman Service**

FSMA established the Financial Ombudsman Service (the “FOS”), which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from a regulated firm. The jurisdiction of the FOS extends to banks and consumer finance firms. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The definition of eligible persons was widened from 1 April 2019 to extend access to the FOS to more small and medium-sized enterprises, charities and trusts. The FOS may also make directions which direct a business to take such steps as the FOS considers just and appropriate.

At present, the maximum monetary award which may be awarded by the FOS is £355,000 (excluding any interest and costs) for complaints referred to the FOS relating to acts or omissions by firms on or after 1 April 2019, and £160,000 for complaints about acts or omissions by firms before 1 April 2019. These limits differ for complaints referred to the FOS before 1 April 2020.

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable in all circumstances of the case. In this regard, the FOS is not bound by law or even its own precedent. Decisions made by the FOS are binding on regulated firms.

### **(C) Payment Services Regulations**

Under the Payment Services Regulations 2017 (SI 2017/752) (as amended) (the “PSRs”), the FCA is responsible for regulating payment services in the UK. The PSRs establish an authorisation regime, which requires payment service providers either to be authorised or registered with the FCA. The PSRs also contain certain rules about the provision of payment services with which payment service providers must comply, including rules concerning obtaining consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users, and liability of payment services providers where things go wrong. The PSRs apply to OSB and CCFSL when they are providing payment services to their customers.

### **(D) The Money Laundering Regulations**

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (SI 2017/692) (as amended) require the Group to (among other things) verify the identity of customers during the onboarding process and to keep records to help prevent money laundering and fraud. Guidance in respect of firms’ anti-

money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group.

**(E) Bribery Act**

The Bribery Act 2010 (as amended) contains offences relating to bribing another person, accepting bribes and bribing foreign public officials. It also contains an offence concerned with failures by commercial organisations to prevent bribery by persons associated with them. The Ministry of Justice has published guidance about procedures which commercial organisations may put into place to help prevent associated persons from engaging in such activity.

**(F) Data Protection Act**

The Data Protection Act 2018 (the “DPA”) supplements the retained EU law version of Regulation (EU) 2016/679 (as amended) (the “UK GDPR”) and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the EU Data Protection Directive (Directive (EU) 2016/680) into UK law. Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the UK GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA.

**(G) Outsourcing and operational resilience**

The Group is subject to a number of regulatory obligations in relation to outsourcing and third-party risk management. On 25 February 2019, the European Banking Authority (“EBA”) published revised guidelines on outsourcing arrangements, which took effect on 30 September 2019 and apply to banks (among other firms). These continue to apply in the UK notwithstanding the UK’s withdrawal from the EU. The guidelines supplement the existing provisions in the PRA Rulebook and the FCA Handbook in relation to outsourcing and require firms to identify, assess, monitor and manage risks associated with third-party arrangements.

The FCA and PRA have introduced a new operational resilience regulatory framework that is designed to ensure that firms are able to: (i) prevent disruption occurring to the extent practicable; (ii) adapt systems and processes to continue to provide services and functions in the event of an incident; (iii) return to normal running as promptly as possible when a disruption is over and (iv) learn and evolve from both incidents and near misses. The regime requires firms to take a number of steps in order to achieve operational resilience including identifying important business services, setting impact tolerances for each important business service and carrying out scenario testing. Firms are currently in a three year transitional period which will last until 31 March 2025 after which firms will have to prove that they remain within the impact tolerances they had previously set.

**5.2 Other**

In addition to those laws and regulations described above, the Group is also subject to, and complies with, a number of legal and regulatory requirements that relate to, amongst other areas, employment, and health and safety.

## TAXATION

### General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders or Couponholders who are in any doubt as to their own tax position or who may be subject to tax in a jurisdiction other than the United Kingdom (in particular, in any jurisdiction where such Noteholders or Couponholders are resident) are strongly advised to consult their own professional advisers. In particular, each Noteholder and Couponholder should be aware that the tax legislation of any jurisdiction where they are resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Notes or the Coupons including in respect of any income received from the Notes or the Coupons.

### United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs), which are subject to change therein or thereof, possibly with retrospective effect, in each case as of the latest practicable date before the date of this Base Prospectus, relating only to the United Kingdom withholding tax treatment of payments of interest. They are not exhaustive and they do not deal with other United Kingdom tax consequences which might arise from acquiring, holding or disposing of Notes or Coupons. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers, persons connected with the Issuer or certain professional investors, to whom special rules may apply.

References in this part to “interest” and “principal” shall mean amounts that are treated as interest and “principal” for the purposes of United Kingdom tax law. The comments below do not take any account of any different definitions of “interest” or “principal” which may be created by the terms and conditions of the Notes or any relevant documentation.

### Interest on the Notes

The Notes will constitute “quoted Eurobonds” under Section 987 of the Income Tax Act 2007 (“ITA 2007”) provided they carry a right to interest and are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 of the ITA 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Notes 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 VI of FSMA) by the Financial Conduct Authority and are admitted to trading on the London Stock Exchange. While the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, interest which has a United Kingdom source will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), unless: (i) another relief applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Where Notes are issued on terms that a premium is or may be payable on redemption, as opposed to being issued at a discount, then it is possible that any such element of premium may constitute a payment of interest

for tax purposes. If that element does constitute a payment of interest, the comments in the paragraphs above will be relevant.

Where Notes are issued at a discount for UK tax purposes (i.e. at an issue price of less than 100 per cent. of their principal amount), any payments in respect of the accrued discount element of such Notes will not generally be made subject to any withholding or deduction on account of UK income tax as long as they do not constitute payments in respect of interest for tax purposes.

### **The U.S. Foreign Account Tax Compliance Act (“FATCA”)**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that 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 the final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for the purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional securities (as described under Condition 19 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any of Lloyds Bank Corporate Markets plc (the “**Arranger**”), Citigroup Global Markets Limited, NatWest Markets Plc and Goldman Sachs International, or such other dealers as may be appointed either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a programme agreement dated 5 April 2023 (as amended or restated from time to time, the “**Programme Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Notes may also be issued by the Issuer through all or any of the Dealers acting as agents or without any involvement of the Dealers.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement may be terminated in relation to all or any of the Dealers by the Issuer or, in relation to itself and the Issuer by any Dealer, at any time on giving not less than 30 days’ written notice.

### **United States of America**

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States (and if Category 2 is specified as applicable in the relevant Final Terms, to non-U.S. persons only) in reliance on Regulation S. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States.

#### ***Regulation S – Category 1***

*The following applies when Category 1 is specified in the relevant Final Terms as being applicable in relation to any Notes.*

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### ***Regulation S – Category 2***

*The following applies when Category 2 is specified in the relevant Final Terms as being applicable in relation to any Notes.*

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements

of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

### ***TEFRA***

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

TEFRA D or TEFRA C apply if specified in the relevant Final Terms.

When the rules under TEFRA D are specified in the relevant Final Terms as being applicable in relation to any Notes, each Dealer has represented and agreed (and each additional Dealer named in the Final Terms will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

- (a) except to the extent permitted under TEFRA D, (a) it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person (except to the extent permitted under TEFRA D);
- (c) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of TEFRA D;
- (d) with respect to each affiliate or distributor that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's or distributor's behalf or agrees that it will obtain from such distributor for the benefit of the Issuer the representations and agreements contained in such paragraphs; and
- (e) it shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in paragraphs (a), (b), (c) and (d) above from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4) (or a successor provision)), for the offer or sale during the restricted period of the Notes.

Terms used in paragraphs (a) through (e) above shall have the meanings given to them by the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, including TEFRA D.

Where the rules under TEFRA C are specified in the relevant Final Terms as being applicable in relation to any Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented and agreed (and each additional Dealer named in the Final Terms will be required to represent and agree) that, in connection with the original issuance of the Notes:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and

- (b) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

Terms used in paragraphs (a) and (b) above shall have the meanings given to them by the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, including TEFRA C.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States (as defined in Regulation S).

In addition to the foregoing, if Category 2 is specified as applicable in the relevant Final Terms:

- (a) the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act; and
- (b) each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. 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 any 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 under the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## United Kingdom

### *Prohibition of Sales to UK Retail Investors*

Unless the Final Terms in respect of any Notes specifies 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 Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

### *Other United Kingdom regulatory restrictions*

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

- (a) **Maturity:** in relation to any Notes which are issued by the Issuer and which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Belgium

Other than in respect of Notes for which “Prohibition of Sales to Belgian Consumers” is specified as “Not Applicable” in the relevant Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and

that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## **Hong Kong**

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

- (d) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (e) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred

within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (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;
- (i) where no consideration is or will be given for the transfer;
- (ii) where the transfer is by operation of law;
- (iii) as specified in Section 276(7) of the SFA; or
- (iv) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer or sell any Notes 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 Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

## **Republic of Korea**

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act (“**FSCMA**”). 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 delivered, directly or indirectly, in the Republic of Korea or to any resident (as such term is defined in the Foreign Exchange Transaction Law) of the Republic of Korea for a period of one (1) year from the date of issuance of the Notes, except (i) to or for the account or benefit of a resident of the Republic of Korea which falls within certain categories of “professional investors” as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, in the case that the Notes are issued as bonds other than convertible bonds, bonds with warrants or exchangeable bonds, and where other relevant requirements are further satisfied, or (ii) as otherwise permitted under applicable laws and regulations in the Republic of Korea.

## **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations or directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. Furthermore, it and they will not directly or indirectly offer, sell or deliver any Notes or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of its and their (as the case may be) knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Notes by it or by them will be made on the same terms.

None of the Issuer, the Trustee, the Arranger or any of the Dealers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell the Notes a copy of this Base Prospectus as then amended or supplemented or, unless delivery of this Base Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in this Base Prospectus in connection with the offer and sale of the Notes to which this Base Prospectus relates.

With the exception of the approval by the FCA of this Base Prospectus as a base prospectus issued in compliance with the UK Prospectus Regulation, no representation is made that any action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, or distribute such offering material, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to the Base Prospectus.

The Issuer has given an undertaking to the Dealers in connection with the listing of any Notes on the Official List to the effect that if after preparation of the Base Prospectus for submission to the FCA it becomes aware that there is a significant new factor, material mistake or material inaccuracy relating to the information contained in the Base Prospectus published in connection with the admission of any of the Notes to the Official List, it shall publish a supplement to the Base Prospectus (following consultation with the Dealers) as may be required by the FCA, under Article 23 of the UK Prospectus Regulation or by the UK Prospectus Regulation Rules made by the FCA and shall otherwise comply with Article 23 of the UK Prospectus Regulation and the UK Prospectus Regulation Rules in that regard and shall supply to each Dealer such number of copies of the supplement to the Base Prospectus as it may reasonably request.

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme and issue of Notes was authorised by resolutions of a committee of the Board of Directors of the Issuer on 24 March 2023. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. The price of a Series of Notes on the price list of the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest, if any). The listing of the Programme on the Market is expected to be granted on or around 12 April 2023 for a period of 12 months. Any Series of Notes intended to be admitted to trading on the Market will be so admitted to trading upon submission to the Market of the relevant Final Terms and any other information required by the Market, subject to the issue of the Global Note or Global Certificate initially representing the Notes of that Series. If such Global Note or Global Certificate is not issued, the issue of such Notes may be cancelled. Prior to admission to trading, dealings in the Notes of the relevant Series will be permitted by the Market in accordance with its rules.

### Legal Proceedings

3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) during a period covering at least the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past significant effects on the Issuer and/or the Group's financial position or profitability.

### Significant/Material Change

4. There has been no significant change in the financial position or financial performance of the Group since 31 December 2022, being the date of the Issuer's last published consolidated financial information, to the date of this Base Prospectus. There has been no material adverse change in the prospects of the Issuer since 31 December 2022, the date for which the Issuer last published audited financial statements.

### Auditors

5. The financial statements of the Issuer for the financial period ended 31 December 2021 and 31 December 2022 have been audited in accordance with International Standards on Auditing (UK) and applicable law and have been reported on without qualification by Deloitte LLP.

Deloitte LLP is registered to carry out audit work in the UK by the Institute of Chartered Accountants in England and Wales and is the auditor appointed by the Issuer for the purposes of auditing its financial statements.

### Documents on Display

6. The website of the Issuer is <https://www.osb.co.uk/>. No information on such website forms part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.

Copies of the following documents will be available on the Issuer's website at <https://www.osb.co.uk/investors/overview/> for 12 months from the date of this Base Prospectus:

- (a) the Trust Deed (which contains the forms of Notes in global and definitive form);
- (b) the Financial Statements;
- (c) the current Base Prospectus in respect of the Programme;
- (d) any Final Terms issued in respect of Notes admitted to listing and/or trading by the listing authority and/or stock exchange since the most recent base prospectus was published; and
- (e) the Memorandum and Articles of Association of the Issuer.

This Base Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

### **Clearing of the Notes**

7. The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems (which are entities in charge of keeping the records). The common code for each Series of Notes allocated by Clearstream, Luxembourg and Euroclear will be contained in the relevant Final Terms, along with the International Securities Identification Number (ISIN) for that Series. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855 Luxembourg.

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

8. The following legend will appear on all Permanent Global Notes with maturities of more than 365 days and on all Definitive Notes, Coupons and Talons: *“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”*.

### **Issue Price and Yield**

9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the purchase price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. An indication of the yield of each Tranche of Fixed Rate Notes will be set out in the relevant Final Terms and will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

### **Dealers Transacting with the Issuer**

10. 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 their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the 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.

**ISSUER**

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**REGISTRAR**

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