Offering Circular

(incorporated in England under the Building Societies Act 1986)

£2,000,000,000

Euro Medium Term Note Programme

On 7 December 2000, Skipton Building Society (the "**Issuer**" or the "**Society**") established a Euro Medium Term Note Programme (the "**Programme**") and issued an Offering Circular on that date describing the Programme. This Offering Circular supersedes any offering circular with respect to the Programme issued prior to the date hereof. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect Notes issued prior to the date of this Offering Circular.

Under the Programme the Issuer may from time to time issue notes (the "**Notes**" which expressions shall include Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes (each as defined in the Terms and Conditions of the Notes)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Notes may be in bearer form or registered form ("**Bearer Notes**" and "**Registered Notes**" respectively).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £2,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed to by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

Application has been made to the Financial Conduct Authority (the "**FCA**") in its capacity as competent authority for Senior Preferred Notes, Senior Non-Preferred and Subordinated Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

References in this Offering Circular to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Regulated Market and have been admitted to the Official List. The London Stock Exchange's Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, "**MiFID II**").

The Senior Preferred Notes and any Coupons relating thereto will constitute "ordinary non-preferential debt" for the purposes of The Banks and Building Societies (Priorities on Insolvency) Order 2018 (the "**Order**") and any law or regulation applicable to the Issuer which is amended by the Order (together, the "**Ranking Legislation**"). The Senior Non-Preferred Notes and any Coupons relating thereto will constitute "secondary non-preferential debt" for the purposes of the Ranking Legislation. The Subordinated Notes and any Coupons relating thereto will constitute "tertiary non-preferential debt" for the purposes of the Ranking Legislation.

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

The Programme has been rated Baa1 (in respect of Senior Preferred Notes) and Baa2 (in respect of Senior Non-Preferred Notes and Subordinated Notes) by Moody's Investor Services Limited ("**Moody's**") and A- (in respect of Senior Preferred Notes with a maturity of more than one year and Senior Non-Preferred Notes) by Fitch Ratings Limited ("**Fitch**"). Moody's and Fitch are established in the European Union (the "**EU**") and are registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Moody's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Senior Notes issued under the Programme may be rated or unrated. Where a Tranche of Senior Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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 may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Amounts payable on Floating Rate Notes will be calculated by reference to LIBOR, EURIBOR or SONIA as specified in the relevant Final Terms. As at the date of this Offering Circular, the administrator of LIBOR, ICE Benchmark Administration Limited, is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"); the administrators of EURIBOR and SONIA are not included in ESMA's register of administrators. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence) and SONIA does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of the Benchmarks Regulation.

Arranger

Barclays

Dealers

Barclays
HSBC

BNP PARIBAS
J.P. Morgan

Lloyds Bank Corporate Markets NatWest Markets
Société Générale Corporate & Investment Banking

The date of this Offering Circular is 17 July 2019

IMPORTANT INFORMATION

*This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, "**Prospectus Directive**" means Directive 2003/71/EC as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.*

The Issuer accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche (as defined below) of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

None of the Arranger, the Dealers or the Trustee (as defined below) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. None of the Arranger, the Dealers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

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

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

***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: (i) a retail client as defined in point (11) of Article 4(1)* MiFID II*; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**").*

*Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**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 PRIIPs Regulation.*

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

*A determination will be made in relation to each issue about whether, for the purpose of the 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.*

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or any of the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Belgium and Japan — see "Subscription and Sale" below.

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

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

PRESENTATION OF INFORMATION

Certain Defined Terms and Conventions

*Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:*

In this Offering Circular, all references to:

- *"**U.S. dollars**", "**U.S.$** " and "**$**" refer to United States dollars;*
- *"**Sterling**" and "**£**" refer to pounds sterling;*
- *"**euro**" and "**€**" refer to 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 EU, as amended; and*
- *the "**Act**" are to the Building Societies Act 1986 (as amended), which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or any other statutory modification or re-enactment.*

References to a billion are to a thousand million.

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

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STABILISATION

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

Risk Factors

The Issuer has identified in this Offering Circular the material factors which could materially adversely affect its business and ability to make payments due under the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

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

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

The Group's results may be adversely affected by general economic conditions and other business conditions in the United Kingdom (the "UK"), the Eurozone and elsewhere

The Issuer's business activities are dependent on the level of banking, finance and financial services required by its customers. As the Issuer currently conducts the majority of its business in the UK, its performance is influenced by the level and cyclical nature of business activity in the UK, which is in turn affected by both domestic and international economic and political events. Adverse developments in the UK economy could cause the Issuer's earnings and profitability to decline.

The impact of global stresses on the UK economy, in particular the Eurozone, could adversely affect the Issuer's business by reducing the level of demand for, and supply of, the Issuer's products and services, exposing it to lower asset and other realisations and increased negative fair value adjustments and impairments of investments and other assets and may materially and adversely impact the Issuer's operating results, financial condition and prospects. See also "*Political Uncertainty*", below.

The Issuer's consolidated Group results are influenced by general economic and other business conditions, including the prevailing interest rate environment. A continuation of the current low Bank of England base rate is likely to lead to continuing pressure on the Issuer's interest rate margin. The Issuer's mortgage standard variable rate for buy-to-let loans ("**BTL SVR**") and mortgage standard variable rate for owner occupied loans ("**Owner Occupied SVR**"), which still applies to some mortgage loans ("**SVR Loans**"), is capped at 3 per cent. above base rate unless the cap is removed in "Exceptional Circumstances". The Issuer's Board defined "Exceptional Circumstances" as prevailing in 2010 where either (a) base rate is less than or equal to 2.70 per cent. or (b) base rate minus the UK average instant access savings rate (as published monthly by the Bank of England) is less than or equal to 2.25 per cent. for each of the three preceding months. On 1 March 2010, the Issuer exercised its contractual right to remove the cap on its SVR Loans, and increased its BTL SVR and Owner Occupied SVR from 3.50 per cent. to 4.95 per cent. The Issuer's BTL SVR is currently set at 4.95 per cent. and the Issuer's Owner Occupied SVR is currently set at 4.95 per cent. No assurance can be given that exceptional circumstances will continue to prevail and if they cease to prevail in the future, the cap will be applicable to the SVR Loans. On 14 November 2012, the Issuer introduced a second administered rate called the buy-to-let mortgage variable rate ("**BTL MVR**") and the owner occupied mortgage variable rate ("**Owner Occupied MVR**" and, together with the BTL SVR, the Owner Occupied SVR and the BTL MVR, the "**Administered Rates**"). The BTL MVR is applied to any new buy-to-let mortgage loans taken from 14 November 2012 and is currently set at 5.19 per cent. The Owner Occupied MVR is applied to any new owner occupied mortgage loans taken from 14

November 2012 and is currently set at 4.99 per cent. No cap is applied to the BTL MVR or Owner Occupied MVR.

If there is a slowdown in the global economy or the UK economy, then retail customers may reduce their financial services purchases. This could have an adverse effect on the Group's ability to generate revenue through the disbursement and servicing of new mortgage loans, the fees earned through estate agency and related services and income earned from advice to investors. The Issuer's results are more specifically affected by the financial health of, and the price and volume of transactions in, the UK housing market (as to which, see "UK housing market" risk below). The trading risk of one of the Group's smaller subsidiaries relates to invoice finance/factoring.

The exact nature of the risks that the Issuer faces and the manner and the extent to which they will ultimately impact the Issuer is difficult to predict and to guard against in the light of (i) the inter related nature of the risks involved, (ii) the difficulties in predicting whether recoveries will be sustained and at what rate, and (iii) the fact that the risks are totally or partially outside the control of the Issuer.

Deterioration in wholesale funding markets may have an adverse effect on the Issuer

The Issuer depends upon access to wholesale funding sources (including accessing the international debt capital markets) for around 18 per cent. of its funding requirements. As at the end of December 2018, around 82 per cent. of the Group's loans and advances were funded by customer deposits. More short term unsecured money-market funding is now available as counterparties review credit criteria positively. Other wholesale funding markets which once experienced periods of closure for new external issuances of securities are now exhibiting strong signs of recovery. The Issuer has continued to manage its funding requirements successfully through a combination of raising new funds from the wholesale market, debt capital market as well as through government and central bank facilities.

Various governments and central banks, including the UK Government and the Bank of England, have taken measures to create liquidity, resulting in greatly improved levels of liquidity at major UK banks and building societies. However, the Issuer does not have influence over the policy making behind such measures. Further, there can be no assurance that these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Issuer or otherwise adversely affect the Issuer. The Issuer has availed itself of certain measures made available by the UK Government to financial institutions over recent years including the Bank of England's Term Funding Scheme ("**TFS**").

On 4 August 2016, the Bank of England announced the TFS, which was designed to reinforce the transmission of cuts to the Bank of England base rate to those interest rates actually faced by households and businesses by providing term funding to banks and building societies at rates close to the Bank of England's base rate. In addition to its primary monetary policy objective, the TFS provided participants with a cost effective source of funding by allowing participants to borrow central bank reserves in exchange for eligible collateral to support additional lending to the real economy. The drawdown period under the TFS ran from 19 September 2016 to 28 February 2018. The TFS was made available to banks and building societies that are participants in the Bank of England's Sterling Monetary Framework and signed up to the Discount Window Facility.

The availability of this Government support for UK financial institutions, to the extent that it provides access to cheaper and more attractive funding than other sources, reduces the need for those institutions to fund themselves in the retail or wholesale markets. The Issuer is participating in the TFS and as at 31 December 2018, the Issuer had drawn £1.85bn. The withdrawal of TFS for new drawings could increase funding costs for those institutions which have previously utilised that support.

In addition, other financial institutions that have relied significantly on Government support to meet their funding needs will also need to refinance or find alternative sources of funding when that support is reduced or withdrawn and, in such a scenario, the Issuer expects to face increased competition for

funding, particularly retail funding on which it is reliant, in the future. This competition could further increase its funding costs and so adversely impact its results of operations and financial position and potentially impact upon its ability to satisfy its obligations under the Notes. The Issuer expects to mitigate the impact of this refinancing concentration by seeking funds from alternative sources. There can be no assurance that such plans will be successful. The Issuer's available funding options are regularly reviewed. If such funding options are not successful in mitigating the impact of this refinancing concentration, the Issuer could face liquidity constraints. The Issuer manages its refinancing concentration under the government-backed liquidity schemes as part of its general ongoing funding strategy.

Although the wholesale funding markets have been steadily improving, there can be no assurance that they will not deteriorate in the future. The Issuer has access to wholesale markets via a number of routes in order to mitigate against a deterioration in market conditions.

The Issuer holds buffer eligible liquidity in excess of the Prudential Regulation Authority's ("**PRA**") minimum regulatory requirement and reviews this position daily. The Issuer reported a Net Stable Funding Ratio of 143.3 per cent. at 31 December 2018, in excess of the 100 per cent. minimum requirement, which came into effect on 1 January 2018. Additional internal stress and scenario testing is also performed weekly (or more regularly if required) to assess the adequacy of the liquidity and contingent liquidity available to the Issuer. These results are reviewed weekly by senior management and monthly by the Issuer's Asset and Liability Committee ("**ALCO**") and the Board.

The Issuer is subject to a periodic statutory liquidity review process by the PRA and any recommendations resulting from this are implemented accordingly.

Legal Ranking of Notes

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

Section 90B of the Building Societies Act 1986 (the "**Building Societies Act**"), as amended by the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, permitted HM Treasury, by order, to make certain alterations to rankings of creditors and shareholders on dissolution and winding up.

HM Treasury has exercised this power, which was granted to it under Section 90B of the Building Societies Act, with the intention to align the creditor hierarchy in UK building societies with the depositor preference requirements introduced by the EU Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD"**), and powers conferred on it by section 2(2) of the European Communities Act 1972 by making the Banks and Building Societies (Depositor Preference and Priorities) Order 2014 (the "**Depositor Preference Order**"), which came into force on 1 January 2015.

The Depositor Preference Order (i) extended the scope of preferential debts in respect of deposits and (ii) aligned creditor hierarchy in UK building societies with the depositor preference requirements in the **BRRD** to ensure that any sums due to building society members in relation to their shareholding in respect of deposits that do not benefit from the depositor preference requirements will rank *pari passu* with all other (non-preferred) senior unsecured creditors. This is subject to the further changes in hierarchy introduced by the Order (as defined and described under "*The Senior Non-Preferred Notes and the Subordinated Notes rank junior to most of the Issuer's liabilities*" below).

These changes also have the effect of granting:

(i) a first-ranking preference to those deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which are actually protected by the Financial Services Compensation Scheme ("**FSCS**") (i.e. are

eligible for protection and do not exceed the FSCS coverage limit of £85,000), which will rank equally with all other preferential debts; and

(ii) a second-ranking preference to deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which would be eligible for FSCS protection but for the fact that they either (a) exceed the £85,000 coverage limit of the FSCS or (b) were made through a branch outside the EU. Such deposits and share accounts (or the relevant part thereof) will rank after the preferential debts referred to in paragraph (i) above but in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency.

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

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

(i) the assets of the Issuer would be applied first to satisfying in full all claims in respect of those deposits and share accounts which enjoy preferential status (as described above) before any recovery would be made on claims in respect of Senior Preferred Notes (and the claims in respect of Senior Preferred Notes would rank *pari passu* with those deposits and share accounts which are not afforded preferential status, subject to the Order);

(ii) no recovery would be made on claims in respect of Senior Non-Preferred Notes unless and until the claims in respect of all deposit and share accounts (other than claims in respect of deferred shares), as well as claims in respect of Senior Preferred Notes and any other subordinated liabilities ranking *pari passu* with or in priority to Senior Preferred Notes, have been satisfied in full; and

(iii) no recovery would be made on claims in respect of Subordinated Notes unless and until the claims in respect of all deposit and share accounts, as well as claims in respect of Senior Non-Preferred Notes, any other Senior Non-Preferred Claims (as defined in the Conditions) and any more senior-ranking Subordinated Claims (as defined in the Conditions) (if any) have first been satisfied in full.

It is further expected that this ranking would be respected in the event that resolution action were to be taken in respect of the Issuer pursuant to the Banking Act 2009 (the "**Banking Act**") (as further described below under "*Risks relating to the Banking Act 2009 and the BRRD*").

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

UK housing market

One of the Issuer's primary activities is mortgage lending in the UK with loans secured against residential property. The UK residential mortgage market performance is closely correlated to the UK economic cycle. As well as fluctuations at a national level, the UK residential mortgage market is subject to significant regional variations. The Issuer's retail mortgage lending is only secured against properties in the UK. The Issuer's natural concentration in the UK market, whilst currently well

diversified, could then be exacerbated by over-exposure to one geographical location, or reliance on particular product types.

A downturn in the UK economy, either regionally or nationally, would reduce demand for housing or consequently reduce house price growth and sales, which could result in lower levels of lending, the Issuer's core activity. A fall in property prices resulting from a deterioration of the economy and increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by the Issuer where the net recovery proceeds are insufficient to redeem the outstanding loans. There can be no assurance that the housing market will not deteriorate and the UK's economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of the Issuer's existing borrowers. The Group has exposure to the buy-to-let market. Whilst this market has performed strongly in recent years, there can be no guarantee that this will continue.

The UK Government has passed legislation restricting the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction is being introduced gradually with the first stage of changes applying from 6 April 2017. From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") (and, from 1 April 2018, Welsh land transactions tax ("**WLTT**") applies to the purchase of additional residential properties (such as buy to let properties). The current additional rate is three per cent above the current SDLT and the WLTT rates. The Scottish government has implemented a similar additional dwelling supplement tax with effect from the same date in respect of land and buildings transaction tax ("**LBTT**") (broadly speaking, the equivalent in Scotland to SDLT). The current additional rate is 3 per cent. above the current SDLT, WLTT rates and, for Scottish Properties, an additional 4 per cent. of the full chargeable consideration of the property (where the property is valued at £40,000 or more).

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

UK personal financial services market

The UK financial services market for products such as savings and regulated investments (where the Issuer acts as distributor for third parties) is competitive. Further increased demand for retail funding from financial institutions and a downturn in equity markets could have an adverse effect on the Issuer's sales opportunities, and therefore on the Issuer's financial position.

The Group is predominantly active in the UK and is, to a large extent, exposed to the UK property market. Therefore, the general UK macro-economic environment is a key determinant of the success of the Group. The main drivers that impact the Group include:

- interest rates;
- inflation;
- unemployment; and
- the housing market (volume of transactions and house prices).

The Mortgages and Savings division continues to operate in a low interest rate and relatively benign economic environment, which has been supported in recent years by government initiatives including the TFS. These initiatives have provided market liquidity and reduced competition for retail savings. During 2018, the Issuer saw increased competition in both the UK mortgage and savings markets which has put pressure on net interest margins across the sector.

Whilst levels of mortgage arrears have continued to fall throughout 2018, the Issuer remains cognisant that the situation can change at any time. A general downturn in the economy, increasing interest rates, higher unemployment or a material decline in house prices would impact the Mortgages and Savings division through higher levels of arrears and possessions, and ultimately higher credit losses. Whilst the Mortgages and Savings division specialist mortgage portfolios of Amber and NYM are likely to be more susceptible to economic shock, these portfolios have been closed to new business since 2008 and are in run-off. To reduce the risk associated with these loans further, the sale of circa £220m of loans which were in arrears or which had recently been in arrears occurred during 2017.

The Issuer's business is also complemented by additional subsidiary businesses, such as the Connells Limited group of companies ("**Connells**"). The results of the Estate Agency division are principally driven by the volume of UK property transactions, particularly second hand property sales. This market is heavily influenced by consumer confidence, driven by the general state of the economy, level of unemployment and interest rates, together with the availability of mortgages, particularly for first time buyers. A slowdown in the housing market puts pressure on Connells' income levels. However, the Estate Agency division is partially protected against the performance of its core business through its own diversification into complementary businesses such as survey and valuation, mortgage services, property asset management and lettings. The changes proposed by the UK Government in the 2016 Autumn Statement eliminating the charging of lettings fees will impact Connells' revenue flows when implemented in June 2019. In particular, the loss of upfront tenants' fees could significantly impact the lettings business, although renewal fees will continue on existing contracts. To mitigate the impact, the Issuer has been implementing a range of initiatives and actions since 2018.

Any downturn in the business prospects of any or all of these subsidiaries could adversely affect the performance of the Group.

Any decline in the Issuer's credit rating may affect the market value of the Issuer's securities and the accessibility of wholesale funding

The Issuer's credit ratings are an assessment of its profitability, financial strength and its ability to pay obligations, including those on any securities issued (including the Notes). Consequently, actual or anticipated declines in the Issuer's credit ratings may affect the market value of the Issuer's securities (including the Notes).

A negative change of sentiment towards financial institutions generally operating in the UK's residential mortgage market (including the Issuer) could occur which may result in wholesale funding being more difficult to obtain and/or being more costly, which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including the Issuer. If the Issuer's credit rating were to decline, in the short term the Issuer may have to increase its level of retail funding. Whilst the Issuer's strong retail franchise would enable this, such funding would be expected to come at a significantly higher cost to the Issuer. In addition, any such events could affect the market value of the Notes.

The Issuer's hedging strategies may not prevent losses

The Issuer is continually managing its exposure to interest rate, currency and refinancing risks. If any of the variety of instruments and strategies the Issuer uses to hedge its exposure to these various types of risk is not effective, the Issuer may incur losses. The Issuer may not be able to obtain economically efficient hedging contracts that will enable it to carry on its present policies with respect to new assets and liabilities.

The Issuer's derivatives counterparties may not honour their contracts

The Issuer uses derivatives to manage its market risks. These derivatives are negotiated and transacted with a range of counterparties. As of the date of this Offering Circular there has not been a situation in which the Issuer's derivative counterparties have not honoured their obligations under the derivative agreements. A failure by one or more counterparties to honour the terms of its derivatives contract with the Issuer could have an adverse effect on the business, operations and financial condition of the Issuer.

The Issuer is now centrally clearing all relevant derivative contracts as required by Regulation 648/2012/EU ("**EMIR"**). This means that the Issuer's exposure is with a centralised clearing body, LCH Ltd. There is protection under these rules and margin management on an intra-day basis ensures any additional exposure due to mark to market changes in valuation are covered. Additionally, the Issuer has collateralised swap agreements in place with all major swap

counterparties in order to minimise the risk of loss in the event of default by a counterparty. However, there can be no guarantee that such strategy will effectively prevent all counterparty-related loss.

Regulation

The Issuer is regulated by **FCA** and the PRA who together regulate, amongst other things, the sale of residential mortgages, consumer lending, investment advice and general insurance products. The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with relevant regulations, there is a risk of an adverse impact on the business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors. Future changes in regulation, accounting, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

Future legislative and regulatory changes could force the Issuer to comply with certain operational restrictions, take steps to raise further capital, and/or increase the Issuer's expenses and/or otherwise adversely affect the Issuer's business results, financial condition or prospects, those minimum regulatory requirements may increase in the future and/or the FCA or the PRA may change the manner in which it applies existing regulatory requirements.

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

Regulators and other bodies in the UK and the EU have produced a range of proposals for future legislative and regulatory changes which could impose operational restrictions on the Issuer, requiring it to raise further capital, result in an increase to the Issuer's costs and/or otherwise adversely affect its business results, financial condition or prospects, some of which have now entered into effect. These include, among others:

(1) The Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"). Certain measures contained in the Banking Reform Act relating to the ring-fencing of domestic retail banking services of UK banks, have recently entered into force. The UK Government has excluded building societies from the ring-fencing legislation but has the power to amend the UK Building Societies Act to bring building societies legislation into line with the ring-fencing requirements if it considers it necessary at a later date.

(2) Following the review conducted by the Financial Policy Committee (the "**FPC**") on the leverage ratio and the publication of its final report on 31 October 2014, the FPC made recommendations as to the overall leverage ratio framework for the UK banking system. For certain UK building societies (including the Issuer) this currently requires a minimum leverage ratio of 3 per cent. and a countercyclical buffer of up to 1 per cent. The Issuer's leverage ratio as at 31 December 2018 was 6.2 per cent.

(3) Consumer credit regulation transferred to the FCA on 1 April 2014 in accordance with provisions under the Financial Services Act 2012 (the "**FS Act**"). The carrying on of certain credit-related activities (including in relation to servicing credit agreements) otherwise than in accordance with permission from the FCA will render a credit agreement unenforceable without FCA approval and the FCA will have the power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. The FS Act also provides for formalised co-

operation to exist between the FCA and the FOS (which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses), particularly where issues identified potentially have wider implications with a view to the FCA requiring firms to operate consumer redress schemes.

(4) The Mortgage Directive was implemented in the UK on 21 March 2016 by way of the Mortgage Credit Directive Order 2015 (the "**MCD Order**") which contains amendments to legislation including the FSMA, the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. A transitional period until 21 March 2019 for implementation of the European Standardised Information Sheet ("**ESIS**") as a replacement for the Key Facts Illustration ("**KFI**") applies. The Issuer has already moved to the ESIS, however certain lenders are yet to implement the ESIS which may cause minor disruption to the residential mortgage market for a short period of time while others implement the ESIS. To date the implementation of the Mortgage Directive into UK law has had no material impact on the Issuer's mortgage business and operations.

(5) In September 2016, following a consultation by the PRA earlier that year, the PRA published Policy Statement PS28/16 and a final Supervisory Statement SS 13/16 both entitled "Underwriting standards for buy-to-let mortgage contracts". The Policy Statement applies to all PRA regulated firms that undertake buy-to let lending that are not already subject to FCA regulation. The Supervisory Statement does not apply to regulated mortgage contracts, consumer buy-to-let mortgages ("**CBTL mortgages**"), buy-to-let mortgages ("**BTL mortgages**") with corporates or which have a term of 12 months or less or to an application from an existing customer for consent to let. The Supervisory Statement contains the PRA's minimum standards that firms should follow when underwriting BTL mortgages (affordability testing) (including when dealing with portfolio landlords who have four or more buy-to-let properties), clarifies the PRA's expectation regarding the application of the small and medium sized supporting factor on BTL mortgages and details the PRA's expectations regarding adequate risk management and controls. The PRA expects that regulated firms ensure that the standards are followed by other firms undertaking buy-to-let lending within their group.

(6) In December 2017, the Basel Committee on Banking Supervision (the "**Basel Committee**") published its final revisions to the Basel III capital framework. These revisions are intended to enhance the robustness and risk sensitivity of the standardised approaches for credit risk and operational risk, constrain the use of internally modelled approaches, and to complement the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. These revisions are scheduled to be effective from 1 January 2022, with the capital floors phased in from 1 January 2022 to 1 January 2027. These revisions could result in requirements which exceed existing capital requirements. In particular, the revised capital floors will limit the extent of capital requirement reduction and increase in capital ratios that can be expected from the Issuer moving to an Internal Ratings Based ("**IRB**") modelling approach for credit risk.

(7) In June 2017, the PRA published a policy statement relating to residential mortgage risk weights, including proposals to align firms' IRB modelling approaches for residential mortgage risk weighted assets. This sets out a number of modifications to the IRB modelling methodologies for residential mortgages, and sets the expectation for firms to update IRB models by the end of December 2020. This could result in risk based requirements increasing following implementation of new models.

(8) The International Accounting Standards Board has introduced IFRS 9: "Financial Instruments" as a new standard to replace IAS 39: "Financial Instruments: Recognition and Measurement". It will change the classification and measurement of some financial assets, the recognition and the financial impact of impairment and hedge accounting. The Issuer has implemented

IFRS 9 for the financial year starting on 1 January 2018. The impact to the Issuer from transition to IFRS 9 is disclosed in the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2018. See further "*IFRS 9 Financial Instruments*" below.

(9) The EU General Data Protection Regulation (the "**GDPR**") has had direct effect in all EU Member States since 25 May 2018 and has replaced previous EU data privacy laws. Although a number of basic existing principles remain the same, the GDPR introduced new obligations on data controllers and rights for data subjects. The GDPR also introduced new fines and penalties for a breach of requirements, including fines for serious breaches of up to the higher of 4 per cent. of annual worldwide turnover or €20 million and fines of up to the higher of 2 per cent. of annual worldwide turnover or €10 million for other specified infringements. The GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement). The implementation of the GDPR has required substantial amendments to the Issuer's procedures and policies and an increase in regular staff training and testing to ensure ongoing compliance with GDPR. The changes could adversely impact the Issuer's business by increasing its operational and compliance costs. Further, there is a risk that the measures will not be implemented correctly or that individuals within the Issuer will not be fully compliant with the new procedures. If there are breaches of these measures, the Issuer could face significant administrative and monetary sanctions as well as reputational damage which may have a material adverse effect on the Issuer's operations, financial condition and prospects.

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

If the Issuer is unsuccessful in efficiently adopting the requisite new compliance practices, this will adversely impact its ability to operate in the financial services markets and to deliver an appropriate level of operational and financial performance.

Senior Managers and Certification Regime

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

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

The SM&CR comprises (i) a new senior managers regime requiring certain senior managers to be authorised by the relevant regulators (ii) a certification regime, under which firms are required to certify the fitness and propriety of certain senior staff and (iii) a code of conduct governing the conduct

of staff. The FCA and the PRA have now published the majority of their rules and guidance on the SM&CR. The new criminal offences relating to decisions causing financial institutions to fail introduced by the Banking Reform Act have applied from 7 March 2016. The SM&CR will have a substantial impact on banks and building societies in the UK generally, including the Issuer and when the extended application of the SM&CR comes into force, any of the Issuer's subsidiaries which are FCA solo regulated firms at that time.

Risks relating to the Banking Act 2009 and the BRRD

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

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

In each case, the Authorities have wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. If an instrument or order were to be made under the Banking Act in respect of the Issuer, such instrument or order may (amongst other things) (i) result in a transfer of obligations under the Notes to another issuer via the mechanisms described above, (ii) affect the Issuer's ability to satisfy its obligations under the Notes and/or (iii) result in modifications to the terms of the Notes, which may have certain tax implications. In addition, the Banking Act contains particular powers for provision to be included in an instrument or order that such instrument or order (and possibly certain related events) be disregarded in determining whether certain widely defined "default event" provisions have occurred (which default events could include certain events of default under any Notes) and provides for the disapplication or modification of laws (with possible retrospective effect) and/or fiscal consequences in connection with the exercise of powers under the Banking Act.

Secondary legislation which makes provision for stabilisation tools to be used in respect of any "banking group company" came into force on 1 August 2014. The definition of "banking group company" will encompass certain of the Issuer's subsidiaries and affiliates. The amendments to the Banking Act allow all of the current stabilisation options under the SRR and the bail-in stabilisation power to be applied to any of the Issuer's group companies that meet the definition of a "banking group company".

There can be no assurance that further amendments may not be made to the Banking Act or other legislation introduced in the UK which would have the effect of amending the SRR described above, and as a result, the position of Noteholders. In addition, there can be no assurance that no other legislation will be introduced which might have an adverse effect on the position of Noteholders.

In addition, the Banking Act contains a separate power, often referred to as the "capital write-down tool", enabling the Authorities to cancel or transfer Common Equity Tier 1 instruments away from the

original owners, or write down (including to nil) an institution's Additional Tier 1 and Tier 2 capital instruments, or to convert them into Common Equity Tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), if the Authorities consider that the institution or the group is at the "point of non-viability" and certain other conditions are met. The capital write-down tool must be applied before any of the stabilisation options provided for in the SRR may be used and may be used whether or not the institution subsequently enters into resolution. Subordinated Notes issued under the Programme may be Tier 2 capital instruments, and any such Subordinated Notes would be subject to the capital write-down tool. "Additional Tier 1", "Common Equity Tier 1" and "Tier 2" have the meanings given to them (or any successor terms) in the Capital Adequacy Regulations (as defined in the Terms and Conditions of the Notes).

The BRRD also provides for a Member State as a last resort, after having assessed and used the above resolution tools to the maximum extent practicable whilst maintaining financial stability, and where certain other mandatory conditions of the BRRD have been satisfied, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework. The Banking Act therefore sets out additional conditions for the use of the temporary public ownership tool and provision of financial assistance.

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

The Authorities have been granted wide powers under the Banking Act and the following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

(a) The SRR may be triggered prior to insolvency of the Issuer

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

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

The European Banking Authority (the "**EBA**") has published translations of its May 2015 guidelines on the circumstances in which an relevant entity shall be deemed as "failing or likely to fail" by supervisors and resolution authorities. These have applied since 1 January 2016. The guidelines set out the objective criteria which should apply when supervisors and Authorities make such a determination.

Although the Banking Act provides for conditions to the exercise of any resolution powers and the EBA guidelines set out the objective elements for determining whether a relevant entity is failing or likely to fail, 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 Noteholders of their decision to exercise any resolution power. Therefore, Noteholders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

(b) Various actions may be taken in relation to any securities issued by the Issuer (including the Notes) without the consent of the holders thereof

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

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

a. transferring the Notes free from any restrictions on transfer and free from any trust, liability or encumbrance;

b. delisting the Notes;

c. writing down (which may be to nil) the Notes or converting the Notes into another form or class (for example, into equity securities);

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

e. where property is held on trust, removing or altering the terms of such trust.

The bail-in power includes the power to cancel or write-down (in whole or in part) certain liabilities (including the Notes) or modify the terms of certain contracts (including the Notes) for the purposes of reducing or deferring the liabilities of a UK building society under resolution and the power to convert certain liabilities (including the Notes) from one form to another.

There is also the power to convert a building society into a company in connection with a bail-in. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Notes into equity securities or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes.

The taking of any such actions could materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes, the liquidity and/or volatility of any market in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or

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

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

(c) Contractual arrangements between the Issuer, its group companies and/or the bridge bank or private sector purchaser may be created, modified or cancelled

If the Issuer were made subject to the SRR and a partial transfer of the Issuer's business to another entity were effected, the transfer may directly affect the Issuer and/or its group companies by creating, modifying or cancelling their contractual arrangements with a view to ensuring the provision of such services and facilities as are required to enable the bridge bank or private sector purchaser to operate the transferred business (or any part of it) effectively. For example, the transfer may (among other things) (i) require group companies to support and co-operate with the bridge bank or private sector purchaser; (ii) cancel or modify contracts or arrangements between the Issuer or the transferred business and a group company; or (iii) impose additional obligations on the Issuer under new or existing contracts. As at the date of this Offering Circular, 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. There can be no assurance that the taking of any such actions would not adversely affect the ability of the Issuer to satisfy its obligations under the Trust Deed, the Agency Agreement, the Dealer Agreement and the Notes.

(d) Mandatory write-down and conversion of capital instruments may affect the Subordinated Notes

As noted above, in addition to the stabilisation options which may be used in a resolution of an institution, the Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into Common Equity Tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Additional Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which (i) the relevant Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken), (ii) the relevant Authority determines that the relevant entity or its group will no longer be viable unless the relevant capital instruments are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability.

Subordinated Notes issued under the Programme may therefore be subject to write-down or conversion into equity on application of such powers (without requiring the consent of the holders thereof), which may result in the holders losing some or all of their investment. The "no creditor worse off" safeguard 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 could, therefore, materially adversely affect the rights of holders of Subordinated Notes, and such exercise (or the perception that such exercise may occur) could materially adversely affect the price or value of their investment in Subordinated Notes and/or the ability of the Issuer to satisfy its obligations under the Notes, and/or may adversely affect liquidity and/or volatility in any market for such Subordinated Notes.

(e) A partial transfer of the Issuer's business may result in a concentration of risk

If the Issuer were made subject to the SRR and a partial transfer of the Issuer's 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 the Issuer 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, under the terms of which the liabilities under the Notes were not transferred, Noteholders may have a claim for compensation under one of the compensation schemes currently existing under, or contemplated by, the Banking Act (including pursuant to the Banking Act 2009 (Third Party Compensation Arrangements for Partial Property Transfers) Regulations 2009).

However, such compensation will be limited to the return the Noteholder might otherwise have received on an insolvency of the Issuer (less the value already received through resolution) and there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

At present, the UK authorities have not exercised any of the stabilisation options under the Banking Act in respect of the Issuer and there has been no indication that they will do so, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such stabilisation option, if exercised.

In accordance with PRA requirements, the Issuer reviews its recovery plan annually and ensures that its recovery plan and resolution pack are up to date. Material developments in the Issuer's business and in the business of any member of the Group are reflected in the recovery plan and resolution pack and the PRA is notified of any material changes made to the recovery plan and resolution pack promptly.

Basel III

On 16 December 2010, 13 January 2011, 12 January 2014 and in December 2017, the Basel Committee issued guidance on a number of fundamental reforms to the regulatory capital framework (such reforms being commonly referred to as "**Basel III**"), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The Basel III reform package has been implemented in the EEA through a regulation (the "**Capital Requirements Regulation**" or "**CRR**") and an associated directive (the "**Capital Requirements Directive**" or the "**CRD**", together "**CRD IV**") which were adopted by the Council of Ministers on 20 June 2013 and which were published in the Official Journal of the European Union of 27 June 2013. The CRR establishes a single set of harmonised prudential rules which apply directly to all credit institutions in the EEA, with CRD containing less prescriptive provisions to be transposed into national law. The CRR gives express recognition for Common Equity Tier 1 capital instruments for mutual and co-operative entities and permits the use of a cap or restriction on the maximum level of distributions under those instruments to safeguard the interests of members and reserves. Full implementation

began from 1 January 2014, with particular elements being phased in over a period of time, to be fully effective by 2024.

The Issuer's capital is reported as a ratio of risk adjusted assets expressed as a percentage in different measures: Common Equity Tier 1 capital, Tier 1 capital and total capital. If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory requirements, this may result in administrative actions or regulatory sanctions.

In December 2013, the PRA published its policy statement PS7/13 "Strengthening Capital Standards: implementing CRD IV, feedback and final rule" on the UK rules, as applicable to the Issuer, which implement certain permitted national discretions in CRD IV. While CRD IV allows regulators to phase in the new measures over a period of time, the PRA chose to accelerate this timetable, with most capital deductions applying in full from 2014.

In addition to the specified requirements for all relevant entities, the PRA may require a credit institution such as the Issuer to meet additional "Pillar 2" requirements, split between "Pillar 2A" and "Pillar 2B". The PRA's current approach to Pillar 2 is set out in its statement of policy published in December 2017 and updated in April 2018. Since 1 January 2015, the PRA expects firms to meet Pillar 2A with at least 56 per cent. in Common Equity Tier 1 capital, no more than 44 per cent. in Additional Tier 1 capital and at most 25 per cent. in Tier 2 capital. The Issuer meets these requirements. The Pillar 2B requirement (the "**PRA buffer**") is an amount of capital that firms should hold, in addition to their total capital requirement, to cover losses that may arise under a severe stress scenario, but avoiding duplication with the CRD IV buffers. Where the PRA assesses a firm's risk management and governance to be significantly weak, it may also set the PRA buffer to cover the risk posed by those weaknesses until they are addressed.

Accordingly, there is a risk that the Issuer will be required to hold higher levels of, or better quality capital than is currently anticipated or planned for. If and to the extent that the PRA adopts capital or other requirements which exceed existing capital requirements, this may adversely impact the Issuer's competitiveness relative to any banks and financial institutions subject to less stringent requirements.

CRD IV also introduces a new leverage ratio requirement. The leverage ratio is a non-risk based measure that is designed to act as a supplement to risk based capital requirements. The leverage calculation determines a ratio based on the relationship between Tier 1 capital and total consolidated exposure (i.e. total exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items).

The Bank of England Act 1998 (Macro-prudential Measures) (No 2) Order 2015 also grants the FPC powers of direction over a countercyclical leverage ratio buffer and, from 2019, a supplementary leverage ratio buffer which the PRA may apply to firms. Should the Issuer fail, or be perceived likely to fail, to meet leverage requirements, this may result in administrative actions or regulatory sanctions.

To support the effectiveness of bail-in and other resolution tools, the BRRD requires that all institutions must meet an individual minimum requirement for eligible liabilities (known as "**MREL**") which may be bailed-in, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities".

In November 2016, the Bank of England published a Statement of Policy entitled "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities MREL – Responses to Consultation and Statement of Policy". The paper (which was updated in June 2018) sets out the Bank of England's policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) of the Banking Act. Although the provisions of the BRRD transposed into UK law relating to MREL took effect from 1 January 2016, the Bank of

England has confirmed that it intends to make use of the transition period allowed by the BRRD and the EBA regulatory technical standards on the criteria for determining MREL and proposes in most cases that an institution's MREL requirement will be set equal to the applicable minimum capital requirement until 1 January 2020. The Bank of England has stated that, by the end of 2020, it intends to conduct a review of its general approach to the calibration of MREL and the final transition date. This review will have regard to intervening changes in the UK regulatory framework and likely changes to the capital framework arising from the work of the Basel Committee.

Until these measures are finally applied, it is not possible to determine the impact that they will have on the Issuer once implemented. The proposals could increase the Issuer's costs and may affect the Issuer's plans to grow its balance sheet. The Issuer has been designated as a single point of entry firm and the Bank of England has provided an indicative MREL requirement that will be required to be met as at 1 January 2020. However such amount is indicative and may change. If MREL requirements exceed current regulatory capital requirements, the Issuer may need to raise additional eligible instruments or reduce total assets. Accordingly, the effects of these proposals could adversely impact the results of operations, financial condition and prospects of the Issuer.

The European Parliament and Council have adopted amendments to the CRR and the CRD, the BRRD and Regulation 806/2014 (together, the "**Banking Reform Package**"). Most of the measures in the Banking Reform Package must be implemented in Member States by June 2021. The Banking Reform Package includes the proposed introduction into EU legislation of a net stable funding ratio, a binding leverage ratio requirement, provisions reflecting the Basel Committee's Fundamental Review of the Trading Book, incorporating a revised treatment for the calculation of own funds requirements for market risk, the Standardised Approach to Counterparty Credit Risk, and other regulatory measures. Further clarity is also provided in respect of the Pillar 2 supervisory review process, in particular the conditions which can lead to additional capital requirements and the split between Pillar 2 requirements and Pillar 2 guidance. The Banking Reform Package also includes amendments to the MREL requirements in the BRRD to align with the "Total Loss Absorbing Capacity" standard adopted by the Financial Stability Board in relation to global systemically important institutions. Among these reforms is the introduction of the concept of a Pillar 2 MREL requirement, which allows resolution authorities the power to require entities to have an additional MREL requirement above the minimum, including a market confidence buffer. The measures in the Banking Reform Package (once implemented in the UK) could directly impact the Issuer's regulatory compliance requirements and could cause its operational, financing and funding costs to increase.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It introduced significant changes for the classification and measurement of financial instruments, including a new impairment approach. The Group first adopted IFRS 9 in its half-yearly report for the six months ending 30 June 2018, with an initial application date of 1 January 2018.

For the year ended 31 December 2018, the Group's equity release portfolio was accounted for under IFRS 9. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated, instead, the hybrid financial instrument as a whole is assessed for classification. The Group has assessed the characteristics of the equity release cash flows and considers that the contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest. As a result, the equity release portfolio is classified as Fair Value Through Profit and Loss under IFRS 9. To address this requirement, the Group has designed and built a fair valuation model for the equity release portfolio. The key estimates and judgements incorporated into this model include the amount and timing of future cash flows arising from customer redemptions, the level of interest accruing to the point of redemption, future house price movements and the use of an appropriate discount factor.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This new impairment model applies to the Group’s financial assets measured at amortised cost or Fair Value through Other Comprehensive Income, except for investments in equity instruments. Whilst the IFRS 9 ECL model for accounting purposes is not equivalent to the IRB ‘expected loss’ model which the Group applies for regulatory capital purposes, the Group has been able to leverage its existing understanding of forward-looking credit loss models to aid its preparations for IFRS 9. The new ECL model in IFRS 9 involves a number of factors that require significant judgement. These factors include, for example, assessing probability of default, determining when the risk of default has significantly increased and forming a view as to the future direction of relevant economic variables. To implement its IFRS 9 methodologies, the Group has designed and built an appropriate suite of models. The modelling techniques vary according to the characteristics of each impacted portfolio of financial assets, ranging from complex statistical models for the Group’s residential loan portfolios, to a more simplified approach for trade receivables.

The Group’s impairment losses have increased on application of IFRS 9, and are also expected to become more volatile.

The PRA has announced transitional provisions under which some of the capital impact that arises from implementing the new impairment requirements of IFRS 9 may be phased in over a five year period; the Group is applying these transitional provisions.

Demutualisation, mutual society transfers and consequences of the Building Societies Act for Noteholders

Subject to confirmation by the relevant UK regulatory authority, the Issuer or its members determine whether it remains a building society or if it demutualises (save in circumstances where a direction is made under section 42B of the Building Societies Act or a UK authority makes an instrument or order under the Banking Act, which results in demutualisation through the conversion of it into a company or the transfer of all the property, rights or liabilities of the society to a company).

The Building Societies Act includes provisions under which a building society may demutualise by transferring the whole of its business to an existing company (referred to as a 'takeover') or to a specially formed company (referred to as a 'conversion'). In addition, the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 (the "**Mutual Transfers Order**") made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the "**Funding and Mutual Societies Transfers Act**")) includes provisions under which a building society may transfer the whole of its business to the subsidiary of another mutual society (as defined in section 3 of the Funding and Mutual Societies Transfers Act). At present, the claims of depositors and other unsubordinated creditors of the Issuer would rank ahead of share accounts (which term excludes any deferred shares) and the members' rights to any surplus in the event of a liquidation of the Issuer and the claims of subordinated creditors of the Issuer would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the Issuer. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Building Societies Act) or to a subsidiary of another mutual society, all the liabilities of the Issuer which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of the Issuer's successor.

Following a transfer of business to a company (including where the transfer is to a subsidiary of another mutual society) by the Issuer the obligations under the Notes will become obligations of any transferee entity and rank (i) in priority to both the rights of the holders of the equity share capital in the company to any repayment of capital or surplus on a liquidation and any obligations of the company (whether or not created prior to such transfer) expressed to rank junior to such Notes, (ii)

equally with other unsecured and unsubordinated creditors (including inter-bank lenders and retail depositors) and (iii) behind any statutorily preferential creditors.

Financial Services Compensation Scheme ("FSCS")

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or likely to be unable, to pay claims against them. Claims on the FSCS are funded by levies on UK deposit-taking institutions. An institution's FSCS levy is linked to its share of the UK deposit market. The FSCS levy may have a material impact on the corporate profits of the Issuer. As a result of various claims under the FSCS, the Issuer, in common with all regulated UK deposit takers, was subject to significantly increased FSCS levies. As at 31 December 2018, a credit in relation to provisions of £0.6 million was made in respect of levies to FSCS. There can also be no assurance that there will be no actions taken under the Banking Act that may lead to future claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer (and other regulated UK deposit takers). Any such increases in the Issuer's costs and liabilities related to the levy may have a material adverse effect on its results and operations. Further costs and risks to the Group may also arise from discussions at national and EU levels around the future design of financial services compensations schemes, including increasing the scope and level of protection and moving to pre-funding of compensation schemes.

In April 2014, the new EU directive on deposit guarantee schemes ("**DGSD**") was adopted and EU member states had until 3 July 2015 to implement it into national law, which the UK has done. The revised DGSD requires EU Member States to ensure that by 3 July 2024 the available financial means of the deposit guarantee schemes reach a minimum target level of 0.8 per cent. of the covered deposits of credit institutions and national schemes are to be funded through regular contributions before the event (*ex-ante*) to the deposit guarantee schemes. It is possible, as a result of these rules, that future FSCS levies on the Issuer may differ from those at present, and such reforms could result in the Issuer incurring additional costs and liabilities, which may adversely affect the Issuer's business, financial conditions and/or results of operations. From 30 January 2017, the deposit compensation limit increased from £75,000 to £85,000.

Credit risk

Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Group. The Group faces this risk from its lending to:

- individual customers (retail mortgages);
- businesses through historical commercial lending and ongoing debt factoring and invoice discounting; and
- wholesale counterparties for the purposes of liquidity management.

Liquidity risk

Liquidity risk is the risk that the Issuer is unable to meet its current and future financial obligations as they fall due.

The Issuer's treasury function is responsible for the day-to-day management of the Group's liquidity and wholesale funding. The Board sets the Group's liquidity risk appetite and limits over the level, composition and maturity of liquidity and deposit funding balances, reviewing these at least annually. Compliance with these limits is monitored daily by Finance and Risk personnel and, additionally, a series of liquidity stress tests are performed weekly by the risk function.

Early warning indicators are regularly assessed by a variety of functions across the Issuer to ensure liquidity is maintained at appropriate levels and reported to ALCO and the Board on a monthly basis.

Liquidity stress testing is carried out against a number of scenarios including those prescribed by the PRA, considering a wide range of liquidity and economic factors. On an annual basis, a detailed and forward-looking assessment of the Issuer's liquidity is undertaken as part of the corporate planning

process. This formal review is known as the Internal Liquidity Adequacy Assessment Process and is reviewed and approved by the Board and passed to the PRA.

The quality of the Group's liquidity portfolio has also been maintained with, as at 31 December 2018, 57 per cent. of total liquidity comprising cash held at the Bank of England, with a further 5 per cent. held in UK gilts. The Group also holds a portfolio of high quality but less liquid assets. As at 31 December 2018, the proportion of total liquid assets rated A3 or above was 95.7 per cent.

Conduct risk

Conduct risk is the risk of delivering poor or inadequate outcomes for customers.

The framework to control this area is maintained and overseen by the Executive Committee. The key risks in this area include:

Mortgage advice – Likely to be the largest financial commitment undertaken by borrowers, the need for reliable mortgage advice is paramount. The Issuer provides advice directly and through its Estate Agency division, Connells. Rigorous quality checking and compliance monitoring are operated by the Issuer and Connells. The Issuer also operates rigorous affordability assessments as part of its mortgage underwriting process. This is subject to regular review to ensure that arrears experience does not exceed expectations, thus enabling early preventative action.

Pensions and investment advice – Whilst the Issuer prides itself on the quality of advice offered to customers, the provision of pensions and investment advice is inherently complex and, on occasion, can subsequently be found not to be suitable for the customer. The liberalisation of pensions by the UK Government has increased the complexity of this area significantly and with it the risk of providing unsuitable advice. Alert to this risk, the Group maintains a robust compliance capability which supports development of appropriate customer offerings and closely monitors the suitability of advice provided to customers.

During 2018 the Issuer approved significant investment to develop the Issuer's financial advice proposition to develop, expand and deliver a more advanced and efficient service for the Issuer's customers. This creates increased operational risk in development and conduct risk in delivery.

This risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a building society with securities admitted to the Official List or as a supervised firm regulated by the FCA and the PRA.

Reputational risk

Reputational risk is the risk to earnings, liquidity or capital arising from negative market or public opinion. Such risk effectively arises through the poor management of risks generally. The consequences would adversely impact the future prospects of the Group and could expose the Group to litigation and financial loss. This risk is managed by:

- maintaining and investing in control structures;
- continuing to focus on customer outcomes;
- promoting the Issuer through marketing and external communications; and
- working within the risk management framework which has reputational risk as a key consideration.

Interest Rate risk

Interest rate risk is the risk of loss arising from adverse movements in market interest rates.

Interest rate risk arises from the mortgages, savings and other financial products that the Group offers. This risk is managed through the use of appropriate financial instruments, including derivatives used to hedge exposures, with established risk limits, reporting lines, mandates and other control procedures. For further information in relation to the Issuer's hedging activities please see above risk factors under "*The Issuer's hedging strategies may not prevent losses"* and "*The Issuer's derivatives counterparties may not honour their contracts"*.

Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between market rates, are also monitored closely and regularly reported to the ALCO, the Board Risk Committee and the Board. This risk is also managed, where appropriate, through the use of derivatives, with established risk limits and other control procedures.

Derivatives are only used to limit the extent to which the Group will be affected by changes in interest rates, foreign exchange rates or other indices which affect fair values or cash flows. Derivatives are therefore used exclusively to hedge risk exposures. The principal derivatives used by the Group are interest rate contracts such as interest rate swaps.

The Group holds capital to absorb potential losses for any risks that are unable to be mitigated through the use of derivatives.

The Group's forecasts and plans take account of the risk of interest rate changes and are prepared and stressed accordingly, in line with PRA guidance.

Operational risk

Operational risk is the risk of financial loss or reputational damage arising from inadequate or failed internal processes, systems or human error, or through external factors.

The framework to control this area is maintained and overseen by the Executive Committee. The key risks in this area include:

Change Management – The scale and pace of regulatory change has been significant in recent years and shows little sign of abating. The scale of the change may impact them Issuer's ability to progress defined business growth strategies as IT and project resource is directed to ensuring delivery of new regulatory requirements. The regulatory horizon is scanned continuously to enable the Issuer to respond in a timely manner to mitigate this risk. Alongside this the Issuer has an ambitious change programme designed to ensure that its customer proposition and service delivery are aligned to customer expectations. The Board and senior management are cognisant that a large and demanding change programme which is inadequately managed can lead to the crystallisation of unforeseen risks resulting in poor service to customers. Focus and resource has been devoted to developing a robust governance regime to deliver effective oversight of projects from business case approval through to progress monitoring, using a standard project lifecycle methodology and capacity planning.

Information Technology

The pace of technological development has created a period of significant change in financial services. The Issuer will continue to invest in its technology provision to provide an excellent level of customer service and manage risks in this area which include:

Cyber crime – Cyber risk incorporates a wide array of potential threats to Group businesses. These can include network or perimeter threats, a breach of online controls leading to increased risk of online fraud as well as data leakage. These threats are of increasing significance given the expected growth in online customer transaction levels. In response to this, Group businesses continue to focus

efforts on proactively managing the evolving nature of cyber threat to ensure that the Group is best placed to protect itself and its customers.

Business resilience – Market experience has shown that executing IT change has significant risk attached to it and can lead to the loss of core systems and the ability to provide expected levels of customer care. The Issuer is fully aware of these inherent risks and continues to review its approach to business resilience and continuity to ensure that this is reflective of business changes over time and remains fit for purpose. The Issuer has formed a specialist team to oversee this and to assist first line teams to assess and challenge operational resilience and ability to deliver a reliable service to the Issuer's customers.

The Group is exposed to risk in relation to data protection

The Group holds, controls and processes a significant volume of personal data and could be adversely affected if any of this data were to be lost, compromised or not handled in accordance with the relevant data protection legislation. This could give rise to legal or regulatory penalties as well as commercial costs. Although the Group has robust data protection policies and procedures in place, any loss or compromise of personal data or other breach of data protection legislation could have a material adverse effect on the Group's business, results of operations and financial performance.

The GDPR, which came into force on 25 May 2018, imposes new obligations on data controllers and data processors and new rights for data subjects which the Group needs to comply with. The GDPR also introduces significantly increased financial penalties that can be imposed on the Group as the result of any non-compliance with the GDPR.

Model risk

Model risk is the risk that, as a result of weaknesses or failures in the design or use of a model, a financial loss occurs or a poor business or strategic decision is made.

To mitigate this risk the Model Governance Committee ("**MGC**") provides a formal forum for managing and assessing model risk in the Issuer's business, ensuring that all material models:

- go through a formal review and approval process;
- have a robust change control process;
- undergo a consistent model, development and validation process; and
- are monitored routinely and reviewed periodically in line with a risk based timetable.

In addition, the MGC also manage model risk with reference to a defined model risk appetite and governance policy.

Pension obligation risk

Pension obligation risk is the risk that the value of the schemes' assets, together with ongoing contributions, will be insufficient to cover their obligations over time. The schemes are also exposed to possible changes in pension legislation.

The Group has funding obligations for three defined benefit schemes which carried funding deficits. The two primary schemes were closed to new entrants on 5 April 1995 and closed to future accrual of benefit by 31 December 2009, and a third small scheme which was acquired with the Holmesdale Building Society merger was closed to future accrual of benefit by 31 March 2004. Whilst the pensions

trustees oversee the investment strategy for the pension funds, it is for the boards of the Issuer and Connells to ensure that the schemes are adequately funded to meet all liabilities.

To manage the Group's exposure to pension obligation risk:

- the Board regularly reviews the Group's pension risk strategy;
- the pension scheme Trustees meet at least quarterly to monitor the investment performance of scheme assets and make investment decisions, liaising with the principal employer in accordance with the scheme rules and taking advice from professional investment consultants;
- the pension scheme Trustees also monitor the pension obligation position (on the Trustee's funding basis); and
- the pension obligation position (on an IAS 19 basis) is updated every six months and reported, along with key pension risk metrics, to the Board Risk Committee.

Political uncertainty

On 23 June 2016, the UK held a referendum on whether the UK should remain a member of the EU.

The UK voted to leave the EU and, on 29 March 2017, the UK Government invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the "**article 50 withdrawal agreement**"). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020.

It remains uncertain whether the article 50 withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 31 October 2019 deadline. If it is not ratified, the Treaty on the EU and the Treaty on the Functioning of the EU will cease to apply to the UK from that date. Whilst continuing to negotiate the article 50 withdrawal agreement, the UK Government has continued with its preparations for a "hard" Brexit or "no-deal" Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book on 1 November 2019. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a "hard" Brexit.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in the UK (including on the performance of the UK housing market) and/or on the business of the Issuer.

No assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Systemic risk could adversely affect the Issuer's business

Concerns about, or a default by, one institution could lead to liquidity problems or losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

Payment Protection Insurance

In August 2010, the Financial Services Authority (the "**FSA**") published a Policy Statement (PS10/12) on "The Assessment and Redress of Payment Protection Insurance Complaints". The Statement

applies to all types of Payment Protection Insurance ("**PPI**") policies which, in the Group's case, relate to secured lending PPI products.

The Statement followed the Consultation Paper (CP10/06) and the FSA pressed forward with their measures stated in the Consultation Paper (CP10/12). Following publication of the Statement, the British Bankers Association ("**BBA**") and others requested a judicial review of the FSA's proposed approach to the assessment and redress of complaints in respect of sales of PPI.

On 20 April 2011, the High Court ruled in favour of the FSA in concluding that banks and building societies which had sold PPI would be required to review all past PPI sales including sales to customers who had not made complaints. The BBA chose not to appeal this ruling.

In November 2014, the UK Supreme Court ruled in Plevin v. Paragon Personal Finance Ltd [2014] UKSC 61 ("**Plevin**") that a failure to disclose to a client a large commission payment on a single premium PPI policy made the relationship between a lender and the borrower unfair under section 140A of the Consumer Credit Act 1974. As a result, the FCA announced on 27 May 2015 that it was considering whether additional rules or guidance on PPI complaints are required subsequent to the Plevin decision. On 2 October 2015, the FCA announced that it was proposing to consult, by the end of 2015, on the introduction of a deadline by which consumers would need to make their PPI complaints or else lose their rights to have them assessed by the FOS. In November 2015, the FCA published its Consultation Paper CP 15/39 entitled "Rules and guidance on payment protection insurance complaints". On 2 August 2016, the FCA published feedback to CP 15/39, together with a further consultation paper, Consultation Paper CP 16/20, on changes to the proposed rules and guidance concerning the handling of PPI complaints in light of Plevin. The results of the consultation and the final rules and guidance, Policy Statement PS 17/3, were published on 3 March 2017 and may result in an increase in the volume of 'Plevin-based' unfair relationship claims brought against the lenders who failed to disclose significant PPI commissions when entering into credit agreements. A key aspect of the FCA's final rules is a PPI complaints deadline falling two years from 29 August 2017 when the rules came into force – hence PPI consumers have until 29 August 2019 to complain to the firm or to the FOS.

Customer compensation

As at 31 December 2018, the customer compensation provision includes provisions for potential claims on PPI of £2.4m (2017: £3.3m). This includes provisions made, mainly in 2016, following rules and guidance issued in 2016 and 2017 by the FCA following Plevin.

The Group has continued to experience an increase in PPI complaint levels during the year following the introduction of a deadline, by the FCA, for making PPI complaints (the deadline is 29 August 2019). A number of cases are referred to the FOS, each incurring a £550 fee. These provisions are expected to be utilised within the next twelve to eighteen months.

There can be no assurance, however, that this provision will be adequate to cover any liability the Issuer may face in respect of PPI policies.

Increasing competition may adversely affect the Issuer's income and business

Competition in the Issuer's business is based on name recognition, service, product and price. The Issuer competes with a large number of other financial services providers (including banks, building societies and insurance companies) and provides a range of financial services covering (but not limited to) mortgages, savings and financial advice. Other financial services competitors provide a different range of financial products, may have more competitive pricing in certain areas and may have greater financial resources with which to compete. Increasing competition may have a negative effect on the Issuer's results, if the Issuer is unable to match the products and services of its competitors.

The Issuer conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the markets in which it operates

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect its product range, distribution channels, capital requirements, liquidity and wholesale funding portfolios, and consequently, its reported financial results, financing requirements and capital strength. These

changes include possible changes in government and regulatory policies, the regulation of selling practices and liquidity, solvency and capital requirements.

The financial services environment can also be adversely affected by instances of financial crime and technological change.

There is also a potential risk to the financial sector generally of a sovereign downgrade of the UK by the rating agencies.

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

Risks related to the structure of a particular issue of Notes

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

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

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

The Issuer may be entitled to redeem Notes at its option (if so specified in the applicable Final Terms) and/or following the occurrence of a Regulatory Event (in the case of Subordinated Notes) or a Loss Absorption Disqualification Event (in the case of certain Senior Non-Preferred Notes) (and in either case, subject to the satisfaction of the relevant pre-conditions set out in the Terms and Conditions of the Notes, including Regulatory Approval (as defined in the Terms and Conditions of the Notes) or following any change in or amendment to the laws or regulations of the UK, where the Issuer is required to pay additional amounts as described in Condition 8, all as further described in the Terms and Conditions of the Notes.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time. See also "*Redemption of Senior Non-Preferred Notes following a Loss Absorption Disqualification Event*" below.

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

If so specified in the applicable Final Terms, the Issuer may redeem the Senior Non-Preferred Notes upon the occurrence of a Loss Absorption Disqualification Event.

A Loss Absorption Disqualification Event shall be deemed to have occurred in respect of a Series of Senior Non-Preferred Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations (as defined in the Terms and Conditions of the Notes), or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the date on which agreement is reached to issue the first Tranche of such Series of Senior Non-Preferred Notes, such Senior Non-Preferred Notes are, or (in the opinion of the Issuer or the relevant Supervisory Authority (as defined in the Terms and Conditions of the Notes)) are likely to be, fully or (if so specified in the applicable Final Terms) partially excluded from the Issuer's minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Senior Non-Preferred Notes from the relevant minimum requirement(s) is due to the remaining maturity of such Senior Non-Preferred Notes being less than any period prescribed by any applicable eligibility criteria for such

minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the Issue Date of such Series of Senior Non-Preferred Notes.

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

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

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

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

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

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

The ranking of Notes in a winding up or dissolution of the Issuer can also be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution of the Issuer or capital write-

down under the Banking Act, as such resolution and capital write-down powers ought to be used in a manner that respects the hierarchy of claims in an ordinary insolvency.

On 28 December 2017, Directive (EU) 2017/2399 (the "**Article 108 Amending Directive**") entered into force, amending Article 108 of the BRRD and designed to create a new category of unsecured debt for banks and other credit institutions. Whilst the European Commission considers this new category as "still being part of the senior unsecured debt category (only as an un-preferred tier senior debt)", it nevertheless ranks junior to ordinary unsecured creditors and other senior unsecured and preferred debts. Accordingly, the Article 108 Amending Directive differentiates between a class of 'ordinary unsecured claims' and a new, lower-ranking 'un-preferred' senior class.

The Banks and Building Societies (Priorities on Insolvency) Order 2018 (the "**Order**") came into effect on 19 December 2018, implementing the Article 108 Amending Directive into UK insolvency law. Under the Order, the debts of a relevant institution (which would include the Issuer) which are 'non-preferential' debts (i.e. those debts which are not presently given priority over ordinary unsecured claims under UK insolvency law) will no longer be treated as a single *pari passu* class, and instead will be split into three distinct tiers:

1. 'ordinary non-preferential debts' (broadly equating to ordinary senior unsecured liabilities);
2. 'secondary non-preferential debts' (which equates to the new un-preferred senior class under the Article 108 Amending Directive); and
3. 'tertiary non-preferential debts' (which would include liabilities in respect of Additional Tier 1 and Tier 2 own funds instruments and other subordinated liabilities).

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

As further set out at Condition 3 (to which investors will be deemed to acknowledge and agree by acquiring the Notes):

(i) claims in respect of Senior Preferred Notes issued under the Programme and any Coupons relating to them will constitute part of the class of 'ordinary non-preferential debts' (or such other designation as may be attributed to the equivalent class of debts) under the Order, corresponding to the class of 'ordinary unsecured claims' under the Article 108 Amending Directive;

(ii) claims in respect of Senior Non-Preferred Notes issued under the Programme and any Coupons relating to them will constitute part of the class of 'secondary non-preferential debts' (or such other designation as may be attributed to the equivalent class of debts) under the Order, corresponding to the new un-preferred senior class under the Article 108 Amending Directive; and

(iii) claims in respect of Subordinated Notes issued under the Programme and any Coupons related to them will constitute part of the class of 'tertiary non-preferential debts' (or such other designation as may be attributed to the equivalent class of debts) under the Order.

The new class of 'secondary non-preferential debts' is designed to contribute towards institutions' 'eligible liabilities' for the purposes of their MREL requirement. MREL is designed to be available to resolution authorities for write-down, write-off or conversion to equity in order to absorb losses and recapitalise a failing institution in the event of resolution action being taken, and before more senior-ranking creditors suffer losses. The amount of MREL the Issuer is required to maintain over time will be based on the expected required capacity to resolve and, if appropriate, recapitalise the Issuer in the event of its failure. Accordingly, if such calibration is accurate, it may be the case that, in a resolution, investors in Senior Non-Preferred Notes may lose all or substantially all of their investment whilst investors in Senior Preferred Notes suffer lower (or no) losses (although there can be no assurance that investors in Senior Preferred Notes will not also suffer substantial losses). The market value of the Senior Non-Preferred Notes may therefore be more severely adversely affected and/or more volatile if the Issuer's financial condition deteriorates than the market value of the Senior Preferred Notes. Accordingly, holders of Senior Non-Preferred Notes may bear significantly more risk than holders of Senior Preferred Notes (notwithstanding that both share the 'senior' designation under the Programme).

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

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

The only events of default under the Terms and Conditions of the Subordinated Notes and any Series of Senior Non-Preferred Notes for which the applicable Final Terms specifies "Senior Non-Preferred Notes: Restricted Events of Default" as being "Applicable" are (i) where there is a failure to pay principal or interest for a period of 14 days or more when it otherwise becomes due and payable or (ii) in the event of the commencement of the winding-up or dissolution of the Issuer or (iii) in the event of a cancellation of the Issuer's registration under the Act, all as more particularly described in Condition 10(b).

The sole remedy against the Issuer available to the Trustee for recovery of amounts which have become due in respect of the Subordinated Notes or any such Series of Senior Non-Preferred Notes will be the institution of proceedings for the winding-up of the Issuer. Otherwise, the Trustee and the Noteholders may not take any further or other action to enforce, prove or claim any such payment, including, in the case of a failure to pay interest, any action to accelerate a repayment of the nominal amount of the relevant Subordinated Notes or Senior Non-Preferred Notes, as the case may be.

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

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

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of UK taxes under the terms of (i) each Series of Subordinated Notes and (ii) any Series of Senior Non-Preferred Notes for which the applicable Final Terms specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", applies only to payments of interest due and paid under such Notes and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of any Series of Subordinated Notes or any such Series of Senior Non-Preferred Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Series of Subordinated Notes or any such Series of Senior Non-Preferred Notes, holders of such Notes would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, in such circumstances, holders will receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

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

Fixed/Floating Rate Notes are notes which bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis and any conversion of the interest basis may affect the secondary market, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Redemption for regulatory reasons

In certain circumstances where the Issuer is unable to achieve the Tier 2 capital recognition of the Notes including as a result of a change in the regulatory classification of the Notes that was not reasonably foreseeable as at the Issue Date of the Notes, the relevant Subordinated Notes may be redeemed prior to the stated maturity. The exercise of these rights by the Issuer may have an adverse effect on the position of holders of the Subordinated Notes.

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

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

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

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR, EURIBOR and SONIA) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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

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

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, 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 the Sterling Overnight Index Average ("**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 "*The market continues to develop in relation to SONIA as a reference rate*" below).

Separate workstreams are also 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 ("**ESTR**") as the new risk free rate. ESTR is expected to be published by the ECB by 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.

It is not possible to predict with certainty whether, and to what extent, LIBOR and/or EURIBOR will continue to be supported going forwards. This may cause LIBOR and/or EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential transition from LIBOR to SONIA or the elimination of LIBOR, EURIBOR or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in each case in respect of any Notes referencing such "benchmark".

The issues discussed above may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a "benchmark".

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an Original Reference Rate and/or any page on which an Original Reference Rate may be published, becomes unavailable, or if the Issuer, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference Rate under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions) with the application of an Adjustment Spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An Adjustment Spread could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, the applicable Adjustment Spread may not be effective to reduce or eliminate economic prejudice to investors. The use of a Successor Rate or Alternative Rate (with the application of an Adjustment Spread) will still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate or (in either case) the applicable Adjustment Spread prior to the relevant Interest Determination Date is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period or Reset Period (as applicable) 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 or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the previous Reset Rate of Interest for a preceding Reset Period, or for the First Reset Rate of Interest, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of Condition 5(f) (*Benchmark Replacement*) will not be applied if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of

the relevant Series of Notes as regulatory capital or eligible liabilities, where applicable, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

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

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions of the Notes, as applicable to Notes referencing a SONIA rate that are issued under the Programme. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The nascent development of Compounded Daily SONIA (as defined in the Terms and Conditions of the Notes) as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity, or increased volatility, or could otherwise affect the market price of any SONIA-referenced Notes issued under the Programme from time to time.

Furthermore, interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period (as defined in the Terms and Conditions of the Notes) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 10, the rate of interest payable for the final Interest Accrual Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

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

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

Reset Notes

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

Risks applicable to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer’s obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the Senior Claims (as defined in the “Terms and Conditions of the Notes") but without preference among themselves.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer

The BRRD contemplates that Subordinated Notes may be subject to loss absorption at the point an institution is "non-viable", in addition to the application of the general bail-in tool. See "Risks relating to the Banking Act 2009 and the BRRD".

Risks related to Notes generally

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

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

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Coupons or any of the provisions of the Trust Deed which in the opinion of the Trustee is not materially prejudicial to the Noteholders or (ii) any modification of any of the Terms and Conditions of the Notes or any provision of the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 (*Substitution*) of the Terms and Conditions of the Notes.

In addition, pursuant to Condition 5(f) (*Benchmark Replacement*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes or Reset Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Trustee or the Noteholders.

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

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

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

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts 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.

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

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

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

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

Floating Rate Notes

Investment in Notes which bear interest at a floating rate comprise (i) a Reference Rate and (ii) a Margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant Margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the relevant Final Terms) of the Reference Rate (for example, every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of Floating Rate Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant Reference Rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant Reference Rate. Should the Reference Rate be at any time negative, it could, notwithstanding the existence of the relevant Margin, result in the actual floating rate being lower than the relevant Margin or even equal to zero.

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established

in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Documents Incorporated by Reference

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the FCA, shall be incorporated in, and form part of, this Offering Circular:

(a) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2018, together with the auditor's reports thereon;

(b) the Strategic Report of the Issuer, as set out on pages 13 to 33 (inclusive) of the Issuer's Annual Report & Accounts 2018;

(c) the Memorandum and Rules of the Issuer;

(d) the Skipton Building Society Pillar Disclosures 2018;

(e) the Terms and Conditions of the Notes contained in the previous Offering Circulars dated 6 December 2001, pages 14-38 (inclusive), 27 November 2002, pages 14-39 (inclusive), 6 January 2004, pages 14-39 (inclusive), 8 December 2004, pages 13-38 (inclusive), 6 April 2006, pages 18-43 (inclusive), 11 April 2007, pages 20-46 (inclusive), 9 April 2008, pages 21-48 (inclusive), 11 November 2009, pages 21-48 (inclusive), 9 December 2010, pages 23-50 (inclusive) 24 April 2015, pages 31-64 (inclusive), 15 June 2017, pages 37-70 (inclusive) and 22 June 2018, pages 40-76 (inclusive).

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Any information which is incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

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

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London and on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

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

Overview of the Programme

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

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive. Words and expressions defined in "Summary of Provisions Relating to the Notes while in Global Form" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview.

Issuer:	Skipton Building Society
Legal Identifier Number (**LEI**)	66AGRETLUXS4YO5MUH35
Description:	Euro Medium Term Note Programme
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under 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 of Notes issued under the Programme. All of these are set out under "*Risk Factors".*
Arranger:	Barclays Bank PLC
Dealers:	Barclays Bank PLC BNP Paribas HSBC Bank plc J.P. Morgan Securities plc Lloyds Bank Corporate Markets plc NatWest Markets Plc Société Générale and any other Dealers appointed in accordance with the Programme Agreement.
Trustee:	The Bank of New York Mellon, London Branch
Principal Paying Agent and Transfer Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to £2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, save that (i) in the case of Senior Non-Preferred Notes, the minimum maturity will be one year, (ii) in the case of Subordinated Notes the minimum

	maturity will be five years and one day and (iii) notwithstanding (i) and (ii) above, in any case such other minimum or maximum maturities as may be allowed or required from time to time by the relevant monetary authority (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	Each Series of Notes may be issued: (i) in bearer form; or (ii) in registered form. Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes. Each Tranche of a Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with TEFRA D (as defined below). Otherwise each Tranche of Bearer Notes will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**". Definitive Notes will be serially numbered. Notes to be issued under the Programme will be either Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes. The Bearer Notes may or may not be issued in new global note form and the Registered Notes may or may not be issued under the new safekeeping structure, in each case as described in "Summary of Provisions Relating to Notes while in Global Form".
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" below) including the following restrictions applicable at the date of this Offering Circular.
Reset Notes:	Interest will be payable in arrear on the dates specified in the Final Terms at the initial rate specified in the Final Terms, and thereafter the rate may be reset with respect to a specified time period by reference to the Reset Reference Rate. The rate of interest may be reset on more than one occasion.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:

	(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of the reference rate set out in the applicable Final Terms. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Benchmark Replacement	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 (in consultation with an Independent Adviser and 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, for the avoidance of doubt, may be positive, negative or zero)). See Condition 5(f) (*Interest – Benchmark Replacement*).
Early Redemption:	The Final Terms relating to each issue of Notes will state whether such Notes can be redeemed prior to their stated maturity (i) at the option of the Issuer, (ii) at the option of the Noteholder, or (iii) following the occurrence of a Regulatory Event (in the case of Subordinated Notes only) or a Loss Absorption Disqualification Event (in the case of Senior Non-Preferred Notes where "Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption" is expressed to be "Applicable" in the applicable Final Terms) or following any change in or amendment to the laws or regulations of the UK, where the Issuer is required to pay additional amounts as described in Condition 8 (*Taxation*), or (in the case of Senior Non-Preferred Notes or Subordinated Notes only) the Issuer would not be entitled to claim a deduction in respect of any interest payable in respect of the Notes or the amount of any such deduction would be materially reduced, as further described in Condition 7(b) *(Redemption and Purchase – Redemption for Tax Reasons*). The relevant Final Terms will specify the basis for calculating any redemption amounts payable. See Condition 7 (*Redemption and Purchase*).
Pre-Conditions to Redemption,	The early redemption or purchase of Subordinated Notes will

Purchase, Substitution or Variation:	be subject to additional requirements as described in Condition 7 (*Redemption and Purchase*). The early redemption, purchase, substitution or variation of Senior Non-Preferred Notes will be subject to additional requirements as described in Condition 7(j) (*Redemption and Purchase – Precondition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*).
Substitution and Variation in respect of Senior Non-Preferred Notes:	If so specified in the relevant Final Terms for a Series of Senior Non-Preferred Notes, upon the occurrence of a Loss Absorption Disqualification Event, the Issuer may, subject to certain conditions and without the consent of the Noteholders, either substitute all (but not some only) of the relevant Series of Senior Non-Preferred Notes for, or vary the terms of such Series of Senior Non-Preferred Notes so that they remain or become, Loss Absorption Compliant Notes (as defined in the Terms and Conditions of the Notes).
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms), subject to compliance with all applicable laws and regulations, save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8 (*Taxation*). In the event that any such withholding or deduction is made, the Issuer will, subject to customary exceptions: (i) in the case of (A) all Senior Preferred Notes and (B) each Series of Senior Non-Preferred Notes unless the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", in respect of payments of interest or principal; or (ii) in the case of (A) all Subordinated Notes and (B) each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", in respect of payments of interest only, be required to pay additional amounts to cover the amounts so withheld or deducted, all as described in Condition 8 (*Taxation*). For the avoidance of doubt, in the case of (A) all Subordinated Notes and (B) each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", the Issuer will not pay any such additional amounts in respect of principal.
Negative Pledge:	Applicable to Senior Preferred Notes only as further described in Condition 4 (*Negative Pledge (Senior Preferred Notes only)*.
Cross Default:	Applicable to Senior Preferred Notes and Unrestricted Default Senior Non-Preferred Notes only as further described in Condition 10 (*Events of Default*).
Status of the Senior Preferred Notes:	Senior Preferred Notes will be direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*

	(Senior Preferred Notes only))) unsecured obligations of the Issuer and (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*) constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes 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 acknowledge and agree that (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*)) the Senior Preferred Notes 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 which rank or are expressed to rank junior to the Senior Preferred Notes and other than such deposits or loans 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 will (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*)) 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 are direct, unconditional and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes rank junior to the Senior Preferred Notes, and 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 acknowledge and agree that the claims of the Trustee and the Noteholders against the Issuer in respect of, or arising under, the Senior Non-Preferred Notes (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Senior Non-Preferred Notes will, in the event of the winding-up or dissolution of the Issuer, rank in the manner provided in the Trust Deed and as specified in Condition 3(b) (*Status of the Notes – Status and Ranking of Senior Non-Preferred Notes*).
Status of the Subordinated Notes:	The Subordinated Notes will be direct, unconditional and unsecured obligations of the Issuer and constitute tertiary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Subordinated Notes rank junior to the Senior Non-Preferred Notes. The Subordinated Notes rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any Subordinated Note or any beneficial interest therein, each holder of a Subordinated Note acknowledge and agree that in the event of the winding up or dissolution of the Issuer, the claims of the Trustee and the Noteholders against the Issuer in respect of, or arising under, the Subordinated Notes (including, without limitation, any damages awarded for breach of the Issuer's obligations) will be subordinated in the manner provided in the Trust Deed and as specified in Condition 3(c) (*Status of the Notes – Status of Subordinated Notes).*
Rating:	The Programme is, rated Baa1 by Moody's and A- by Fitch in respect of Senior Preferred Notes with a maturity of more than one year, Baa2 by Moody's and A- by Fitch in respect of

	Senior Non-Preferred Notes and Baa2 by Moody's in respect of Subordinated Notes. Senior Notes issued under the Programme may be rated or unrated. Where a Tranche of Senior Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the UK), Belgium and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes — see "Subscription and Sale" below. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. Notes in bearer form for U.S. tax purposes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) ("**TEFRA D**") unless (i) the applicable Final Terms states that such Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) ("**TEFRA C**") or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which such Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

Terms and Conditions of the Notes

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant laws and requirements (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" below for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed dated 7 December 2000 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") and made between Skipton Building Society (the "**Issuer**" or the "**Society**") and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the time being for the Noteholders (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note in bearer form (a "**Bearer Global Note**") or a global Certificate (a "**Global Certificate**"), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note or Global Certificate;

(iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Bearer Global Note; and

(iv) any definitive Notes in registered from ("**Registered Notes**") (whether or not issued in exchange for a Global Certificate).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 24 April 2015 (such Agency Agreement as amended and/ or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent), the other paying agents named therein (together with the Principal Paying Agent, unless the context otherwise requires, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, unless the context otherwise requires, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and supplement these Terms and Conditions. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing Bearer Notes have interest coupons ("**Coupons**") and, in the case of Bearer Notes which have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being, of the Notes (the "**Noteholders**" or "**holders**", which expressions shall mean (in the case of definitive Bearer Notes) the bearers of the Notes and (in the case of definitive Registered Notes) the persons in whose name the Certificates are registered and shall, in relation to any Notes represented by a Global Note or a Global Certificate, be

construed as provided below). Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection by prior appointment during normal business hours at the principal London office for the time being of the Trustee (being, at 17 July 2019, 40th Floor, One Canada Square, London E14 5AL) and at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**"). Copies of the applicable Final Terms are available for viewing at and copies may be obtained from The Bailey, Skipton, North Yorkshire BD23 1DN and The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders, and the Couponholders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

In the Conditions, "**euro**" 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.

1. Form, Denomination and Title

Each Series of Notes is issued either (i) in bearer form or; (ii) in registered form . The Notes will be issued in the currency (the "**Specified Currency**") specified in the applicable Final Terms. Bearer Notes will be issued in the denominations (the "**Specified Denominations(s)**") specified in the applicable Final Terms. Registered Notes will be issued in multiples of the Specified Denomination specified in the applicable Final Terms (as defined below).

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

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

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable. Definitive Notes will be serially numbered.

Definitive Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a) (*Transfers of Registered Notes - Transfer of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or

writing on it (or on the Certificate representing it) or notice of any previous loss or theft (or on such Certificate)) for all purposes but, in the case of any Global Note or Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note or a Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking *S.A.* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or, as the case may be, the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or, as the case may be, the relevant Global Certificate and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. Transfers of Registered Notes

(a) *Transfer of Registered Notes*

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

(b) *Exercise of Options or Partial Redemption in respect of Registered Notes*

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

(c) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Conditions 2(a) (*Transfers of Registered Notes - Transfer of Registered Notes*) or 2(b) (*Transfers of Registered Notes - Exercise of Options or Partial Redemption in respect of Registered Notes*) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Put Notice (as defined in Condition 7(d) (*Redemption and Purchase - Redemption at the Option of the*

Noteholders (other than holders of Subordinated Notes) (Investor Put))) or surrender of the Certificate for exchange.

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

(d) *Exchange Free of Charge*

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

(e) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(c) (*Redemption and Purchase - Redemption at the Option of the Issuer (Issuer Call)*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

(f) *Regulations*

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

3. Status of the Notes

(a) *Status of Senior Preferred Notes*

The Senior Preferred Notes (being those Notes that specify their status as Senior Preferred) and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*)) unsecured obligations of the Issuer and (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*)) constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes and the Coupons relating to them rank and will rank *pari passu* and 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 (subject to the provisions of Condition 4 (*Negative Pledge (Senior Preferred Notes only)*)) the Senior Preferred Notes and any such Coupons rank *pari passu* with all other outstanding unsecured and unsubordinated obligations in respect of deposits with, and loans to, the Issuer, present and future (other than (i) Senior Non-Preferred Notes and other obligations which rank or are expressed to rank junior to the Senior Preferred Notes and (ii) such deposits or loans to 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 (subject to the provisions of Condition 4 (*Negative Pledge (Senior*

Preferred Notes only))) rank as provided in the Ranking Legislation for ordinary non-preferential debt generally.

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

(a) Status and Ranking

The Senior Non-Preferred Notes (being those Notes that specify their status as Senior Non-Preferred) and the Coupons relating to them are direct, unconditional and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and the Coupons relating to them rank junior to the Senior Preferred Notes and any Coupons relating to them, and rank *pari passu* without any preference among themselves. The Issuer and, by virtue of its holding of any 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 the claims of the Trustee, the Noteholders and the Couponholders against the Issuer in respect of, or arising under, the Senior Non-Preferred Notes or the Coupons relating thereto (including, without limitation, any damages awarded for breach of the Issuer's obligations) will, in the event of the winding up or dissolution of the Issuer (other than an Excluded Dissolution), rank:

(A) junior in right of payment in the manner provided in the Trust Deed to all Senior Claims;

(B) *pari passu* with all other Senior Non-Preferred Claims; and

(C) in priority to all Subordinated Claims,

save only where the Ranking Legislation provides otherwise for 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).

(b) No Set-off

This Condition 3(b)(ii) applies unless "Senior Non-Preferred Notes: No Set-off" is expressly specified to be "Not Applicable" in the applicable Final Terms.

Subject to applicable law, no holder of Senior Non-Preferred Notes or holder of a Coupon relating to Senior Non-Preferred Notes may exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Non-Preferred Notes or any Coupons relating to them and each Noteholder and Couponholder of any Senior Non-Preferred Note shall, by virtue of being the holder of any such Senior Non-Preferred Note or Coupon (as the case may be), be deemed to have waived all such rights of set-off, compensation or retention both before and during any winding up, liquidation or administration of the Issuer.

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

N.B. Attention is drawn to "Certain Provisions of the Building Societies Act 1986 and the Supervisory Authority" elsewhere in this Offering Circular.

(c) *Status of Subordinated Notes*

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

(A) be subordinated in right of payment in the manner provided in the Trust Deed to (i) all Senior Claims, (ii) all Senior Non-Preferred Claims and (iii) all Subordinated Claims (if any) which rank, or are expressed to rank, in priority to claims in respect of the Subordinated Notes;

(B) rank at least *pari passu* with the claims of the holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, as at their respective issue dates, Tier 2 Capital; and

(C) rank in priority to the claims of holders of any subordinated obligations whose claims rank or are expressed to rank junior in right of payment to the Subordinated Notes or the Coupons relating to them, as the case may be, and, for the avoidance of doubt, ahead of all claims in respect of any Deferred Shares (as defined below) in the Issuer,

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

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

Notwithstanding the provisions of the foregoing sentence, if any amounts owed to any Noteholder or Couponholder of Subordinated Notes by the Issuer arising under or in connection with any Subordinated Notes or any Coupon relating to a Subordinated Note is discharged by set-off, compensation or retention, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge

to the Issuer or, in the event of the winding-up or administration of the Issuer, the liquidator or (as the case may be) administrator or other insolvency official of the Issuer (and until such payment is made shall hold an amount equal thereto on trust for the Issuer or, as the case may be, the liquidator, administrator or other insolvency official) and accordingly such discharge will be deemed not to have taken place.

N.B. Attention is drawn to "Certain Provisions of the Building Societies Act 1986 and the Supervisory Authority" elsewhere in this Offering Circular.

(c) *Definitions*

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

"**Additional Tier 1 Capital**", "**CET1 Capital**" and "**Tier 2 Capital**" have the meanings given to them (or any successor terms) in the Capital Adequacy Regulations (as defined in Condition 7(m) (*Redemption and Purchase - Definitions*);

"**Deferred Shares**" means deferred shares within the meaning of the Act.

"**Excluded Dissolution**" means each of (i) a winding up or dissolution of the Issuer for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or the substitution in place of the Issuer or a Successor in Business (as defined in the Trust Deed) effected in accordance with the provisions of Condition 17 (*Substitution*) and Clause 23 of the Trust Deed, and (ii) a dissolution of the Issuer by virtue of the amalgamation and transfer provisions set out in sections 93, 94 and 97 of the Act, or by virtue of a transfer pursuant to an order made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, as amended (or any successor provisions thereto);

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

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

"**Senior Claims**" means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer including, without limiting the generality of the foregoing, (i) all claims in respect of deposits (other than subordinated deposits) with or loans to the Issuer and all claims to interest thereon (including claims by persons who become holders of deposits pursuant to Section 100 of the Act if the Issuer transfers its business to a successor pursuant to Section 97 of the Act); (ii) all claims in respect of unsubordinated obligations (including, without limitation, Senior Preferred Notes and other ordinary non-preferential debt under the Order) of the Issuer; and (iii) (only in respect of a winding up while the Issuer remains a building society) all claims of members holding shares in the Issuer as regards the principal of their shares in the Issuer and any interest due in respect of those shares (other than members holding Deferred Shares whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Senior Non-Preferred Noteholders and related Couponholders (whether only in the event of a winding up of the Issuer or otherwise) but excluding all Senior Non-Preferred Claims and all Subordinated Claims;

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

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

4. Negative Pledge (Senior Preferred Notes only)

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

"**Covered Bonds**" means bonds, notes or other securities (however defined) designated by the Issuer as covered bonds and secured on a segregated pool of assets.

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

5. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrears on the Interest Payment Date(s) in each year up to but excluding the Maturity Date. For so long as any of the Fixed Rate Notes is represented by a Global Note or Global Certificate held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the Fixed Rate Notes and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures. In respect of each definitive Fixed Rate Note, interest will be calculated on its outstanding nominal amount.

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

As used in these Terms and Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period or if, in the case of Notes in definitive form, no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note or Global Certificate held on behalf of Clearstream, Luxembourg and/or Euroclear, the full nominal amount outstanding of the Fixed Rate Notes; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case multiplying such sum by the applicable Day Count Fraction (as defined in Condition 5(e) (*Interest - Day Count Fractions*) below.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount to the Calculation Amount in the case of Fixed Rate Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

If no Day Count Fraction for Fixed Rate Notes is specified in the applicable Final Terms then the Day Count Fraction for such Notes shall be "30/360" for Notes denominated in United States dollars and "Actual/Actual (ICMA)" for all other Notes.

In these Terms and Conditions:

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

(b) *Interest on Reset Notes*

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

Each Reset Note bears interest:

(A) from (and including) the Interest Commencement Date specified in the applicable Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(B) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each a "**Subsequent Reset Period**") at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

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

The Reset Rate of Interest and the amount of interest (the "**Interest Amount**") payable shall be determined by the Calculation Agent, (A) in the case of the Reset Rate of Interest, at or as soon as practicable after each time at which the Reset Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 5(a) (*Interest - Interest on Fixed Rate Notes*) and, for such purposes, references in the fourth paragraph of Condition 5(a) (*Interest - Interest on Fixed Rate Notes*) to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and Condition 5(a) (*Interest - Interest on Fixed Rate Notes*) shall be construed accordingly.

In this Condition 5(b):

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

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

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

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 5(b)(ii) (*Interest - Interest on Reset Notes - Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis equivalent to the Fixed Leg Swap Duration or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the First Margin;

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

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

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

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

"**Mid-Swap Floating Leg Benchmark Rate**" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

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

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 5(b)(ii) (*Interest - Interest on Reset Notes - Fallbacks*), either:

(i) if Single Mid-Swap Rate is specified in the applicable 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 such replacement page on that service which displays the information; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(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 or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent provided, however, that if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

"**Reference Bond**" means for any Reset Period the UK Government bond selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in Sterling and of a comparable maturity to the relevant Reset Period.

"**Reference Bond Price**" means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 5(b)(ii) (*Interest - Interest on Reset Notes - Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the relevant Subsequent Margin.

(ii) *Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page (other than in the circumstances provided for in Condition 5(f) (*Benchmark Replacement*)), the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

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

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

If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(b)(ii) (*Interest - Interest on Reset Notes - Fallbacks*), 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 Note 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.

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

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

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Principal Paying Agent, the Trustee and any competent authority or stock exchange by or on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 5(c)(iv) (*Interest - Interest on Floating Rate Notes - Determination of Rate of Interest and Calculation of Interest Amounts*)) thereafter.

(iv) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) (*Interest - Interest on Reset Notes*) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date at a rate equal to the Rate of Interest and such interest will be payable in arrears on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) or the relevant payment date if the Notes become payable on a date other than the Interest Payment Date.

For so long as any of the Floating Rate Notes is represented by a Global Note or a Global Certificate held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the relevant Notes and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating

procedures. In respect of each definitive Floating Rate Note, interest will be calculated on its outstanding nominal amount.

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

(1) in any case where Specified Periods are specified in accordance with Condition 5(c)(i)(B) (Interest - Interest on Floating Rate Notes - *Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

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

In these Terms and Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and

(C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

In these Terms and Conditions, "**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Final Terms.

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided in Condition 5(c)(iii) (*Interest - Interest on Floating Rate Notes - Minimum and/or Maximum Rate of Interest*) below, be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 5(c)(ii)(A) (*Interest - Interest on Floating Rate Notes - Rate of Interest - ISDA Determination for Floating Rate Notes*), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent (if any is specified in the applicable Final Terms), as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions each as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this Condition 5(c)(ii)(A) (*Interest - Interest on Floating Rate Notes - Rate of Interest - ISDA Determination for Floating Rate Notes*), "**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes – Not Referencing SONIA*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Notes is not specified in the applicable Final Terms as being SONIA, the Rate of Interest for each Interest Period will, subject as provided in Condition 5(c)(iii) (*Interest - Interest on Floating Rate Notes - Minimum and/or Maximum Rate of Interest*) and Condition 5(f) (*Benchmark Replacement*) below, be either:

(1) the offered quotation (if there is only one quotation on the relevant Screen Page); or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest

quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if no offered quotation appears or fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks (as defined in the Agency Agreement) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(C) *Screen Rate Determination for Floating Rate Notes – Referencing SONIA*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being SONIA, the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(f) (*Benchmark*

Replacement) and as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the applicable Margin.

"**Compounded Daily SONIA**" means with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards: where:

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

"**d**" is the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" is the number of London Banking Days in the relevant Interest Accrual Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual 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;

"$\mathbf{n_i}$", for any London Banking Day "i", means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

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

"**p**" means for any Interest Accrual Period, the number of London Banking Days by which the corresponding Observation Period precedes such Interest Accrual Period, as specified in the applicable Final Terms (being no less than five London Banking Days unless otherwise agreed by the Calculation Agent and, 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

"$\mathbf{SONIA_{i\text{-}pLBD}}$" means, in respect of any London Banking Day "i", the SONIA reference rate for the London Banking Day falling "p" London Banking Days prior to such London Banking Day "i".

If, in respect of any London Banking Day in the relevant Observation Period, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00p.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).

Notwithstanding the paragraph above, if the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined or (ii) any rate that is to replace the SONIA reference rate, the Calculation Agent shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA reference rate for the purpose of the relevant Series of Notes for so long as the SONIA reference rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to these Conditions, the Trust Deed or the Agency Agreement are required in order for the Calculation Agent to follow such guidance in order to determine the SONIA reference rate, the Calculation Agent shall have no obligation to act until such amendments or modifications have been made in accordance with these Conditions, the Trust Deed or the Agency Agreement.

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

If the relevant Series of Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable 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.

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

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

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

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note or Global Certificate held on behalf of Clearstream, Luxembourg and/or Euroclear, the full nominal amount outstanding of the relevant Notes; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

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

(v) *Linear Interpolation*

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

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

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

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any competent authority or stock exchange by or on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each relevant competent authority or stock exchange by or on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions

of this Condition 5(c) (*Interest - Interest on Floating Rate Notes*) by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Paying Agents and the Transfer Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(e) *Day Count Fractions*

In this Condition 5 (*Interest*):

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Fixed Interest Period or Interest Period, as applicable:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(iii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(vi) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Fixed Interest Period or Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls; "Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(viii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

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

(f) *Benchmark Replacement*

Notwithstanding the provisions above in this Condition 5 (*Interest*), if the Issuer determines that a Benchmark Event has occurred 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 following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in good faith and in a commercially reasonable manner), no later than 5 Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable) (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(f) (*Benchmark Replacement*)); provided, however, that if the Independent Adviser is unable to or does not determine a Successor Rate or an Alternative Reference Rate or (in either case) the applicable Adjustment Spread prior to the relevant Interest Determination Date or Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or Reset Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period or Reset Period (as applicable) (or alternatively, if there has not been a first Interest Payment Date or Reset Date (as applicable), the rate of interest shall be the initial Rate of Interest (in the case of Floating Rate Notes) or the Initial Rate of Interest (in the case of a Reset Note)) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period or Reset Period (as applicable) for the Margin that is to be applied to the relevant Interest Period or Reset Period (as applicable)); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(f) (*Benchmark Replacement*));

(iii) if the Independent Adviser determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day

Convention, Business Days, Interest Determination Date, Reset Determination Date, Reference Rate Reset Bond Time and/or the definition of Reference Rate or Mid-Swap Floating Leg Benchmark Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). For the avoidance of doubt, the Trustee and Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(f) (*Benchmark Replacement*) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged to effect such changes if, in the sole opinion of the Trustee, doing so would impose more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental Trust Deed) in any way. Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or Principal Paying Agent (if required); and

(iv) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the applicable Adjustment Spread, give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 15 (*Notices*), which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any. No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer: (A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Reference Rate, together with (in either case) the Adjustment Spread, and/or (c) the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(f); and (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate, together with (in either case) the Adjustment Spread. The Trustee shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Reference Rate together with (in either case) the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Reference Rate together with (in either case) the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders,

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

For the purposes of this Condition 5(f) (*Benchmark Replacement*):

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

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

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

"**Benchmark Event**" means:

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

(B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, 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) and (ii) the date falling six months prior to the specified date referred to in (B)(i); or

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been permanently or indefinitely discontinued; or

(D) the later of (i) 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, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (D)(i); or

(E) it has become unlawful for any Paying Agent, Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate; or

(F) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

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

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

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

(i) the central bank for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate; or

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

"**Successor Rate**" means the rate that the Independent Adviser determines is a successor to or replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

6. Payments

(a) *Method of Payment*

Subject as provided below:

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

(ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

(b) *Presentation of Definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6(a) (*Payments - Method of Payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in

each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note, Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note in definitive bearer form (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

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

(d) *Registered Notes*

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 6(d)(ii) (*Payments - Registered Notes*) below.

(ii) Payments of interest on each Registered Note (whether or not in global form) shall be made in the relevant currency drawn on a bank in the principal financial centre of the country of such Specified Currency and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and such payment of interest may be

made by transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such currency.

(e) *General Provisions Applicable to Payments*

The holder of a Global Note or Global Certificate shall be the only person entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note or Global Certificate.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) London;

(C) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(D) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open;

(g) *Interpretation of Principal and Interest*

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

(i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes; and

(v) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions and the Trust Deed to interest in respect of the Notes shall be deemed to include any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any obligation or undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. Redemption and Purchase

(a) *Redemption at Maturity*

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

(b) *Redemption for Tax Reasons*

Subject (in the case of Subordinated Notes only) to Regulatory Approval and compliance with the Regulatory Preconditions (each as defined below and (in the case of Senior Non-Preferred Notes) to Condition 7(j) (*Redemption and Purchases – Precondition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*)), and provided that notice is given (within the period specified in the applicable Final Terms) to the Trustee and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) as a result of a Tax Law Change (as defined below):

(a) on the occasion of the next payment due in respect of the Notes, the Issuer will or would be required to pay additional amounts as described under Condition 8 (*Taxation*) or to account to any taxing authority in the Tax Jurisdiction for any amount (other than any tax withheld or deducted from interest payable in respect of the Notes) calculated by reference to any amount payable in respect of the Notes; or

(in the case of Senior Non-Preferred Notes and Subordinated Notes only) the Issuer would not be entitled to claim a deduction in respect of any interest payable in respect of the Notes in computing its taxation liabilities or the amount of any such deduction would be materially reduced,

provided that the consequences of such event cannot be avoided by the Issuer taking reasonable measures available to it (each such event being referred to as a "**Tax Event**"); and

(ii) in the case of Subordinated Notes only, the Issuer has demonstrated to the satisfaction of the Supervisory Authority that such Tax Event is material and was not reasonably foreseeable as at the Issue Date of such Subordinated Notes,

the Issuer may redeem at any time (if this Note is not a Floating Rate Note) or on the next Interest Payment Date (if this Note is a Floating Rate Note) all (but not some only) of the

Notes at their Early Redemption Amount referred to in Condition 7(h) (*Redemption and Purchase - Purchases*) below together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

Prior to the publication of any notice of early redemption pursuant to this Condition 7(b) (*Redemption and Purchase - Redemption for Tax Reasons*), the Issuer shall deliver to the Trustee a certificate signed by any two Directors of the Issuer setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and an opinion of independent legal advisors of recognised standing satisfactory to the Trustee to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

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

Subject (in the case of Subordinated Notes only) to Regulatory Approval and compliance with the Regulatory Preconditions and (in the case of Senior Non-Preferred Notes) to Condition 7(j) (*Redemption and Purchases – Precondition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*), if Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Maximum Redemption Amount.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption.

(d) *Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*

If Investor Put is specified as being applicable in the applicable Final Terms (unless the Note is a Subordinated Note), upon the holder of any Note giving to the Issuer in accordance with Condition 15 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7(d) (*Redemption and Purchase - Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*). If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder

of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) *Regulatory Event Redemption of Subordinated Notes*

Subject to Regulatory Approval and compliance with the Regulatory Preconditions, the Issuer may, in its sole discretion, if a Regulatory Event has occurred and is continuing, having given notice (within the period specified in the applicable Final Terms) to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Subordinated Notes at their Early Redemption Amount referred to in Condition 7(f) (*Redemption and Purchase – Early Redemption Amounts*) below together, if applicable, with interest accrued to (but excluding) the date fixed for redemption.

Prior to the publication of any notice of early redemption pursuant to this Condition 7(e) (*Redemption and Purchase - Regulatory Event Redemption of Subordinated Notes*), the Issuer shall deliver to the Trustee a certificate signed by any two Directors of the Issuer confirming that a Regulatory Event has occurred and is continuing and that the applicable conditions precedent have been satisfied and in each case the details thereof. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Noteholders. Upon the expiry of such notice the Issuer shall be bound to redeem the Subordinated Notes accordingly.

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

This Condition 7(f) applies in respect of all Series of Senior Non-Preferred Notes except for any Series where "Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption" is expressly specified to be "Not Applicable" in the applicable Final Terms.

If a Loss Absorption Disqualification Event has occurred, then the Issuer may, in its sole discretion, subject to compliance with Condition 7(j) (*Redemption and Purchase – Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*), and having given not less than 15 nor more than 30 days' notice to the Trustee (with a copy to the Principal Paying Agent) and, in accordance with Condition 15 (*Notices*), the Noteholders, redeem at any time (in respect of Fixed Rate Notes) or on any Interest Payment Date (in respect of Floating Rate Notes) all, but not some only, of the Senior Non-Preferred Notes at the Loss Absorption Disqualification Event Early Redemption Price specified in the applicable Final Terms, together with interest accrued and unpaid (if any) to the date fixed for redemption.

The Issuer may exercise its right to redeem the Senior Non-Preferred Notes notwithstanding the prior exercise by any Holder thereof of its option to require the redemption of the Senior Non-Preferred Note(s) held by it under Condition 7(d) (*Redemption and Purchase – Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*) above if the due date for redemption under this Condition 7(f) (*Redemption and Purchase – Redemption following a Loss Absorption Disqualification Event*) would occur prior to that under Condition 7(d) (*Redemption and Purchase – Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*) but not otherwise and, in such circumstances, the exercise of the option under Condition 7(d) (*Redemption and Purchase – Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*) shall be rendered ineffective.

Prior to giving the above notice to the Trustee pursuant to this Condition 7(f), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that a Loss Absorption Disqualification Event has occurred and is continuing, and the Trustee shall be entitled, without liability to any person, to accept such certificate without any further enquiry as sufficient evidence of the same and it shall be conclusive and binding on the Trustee and the

Noteholders. Upon the expiry of such notice the Issuer shall be bound to redeem the Senior Non-Preferred Notes accordingly.

As used herein:

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

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

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

is or (in the opinion of the Issuer or the relevant Supervisory Authority) is likely to be excluded from the Issuer's minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Senior Non-Preferred Notes from the relevant minimum requirement(s) is due to the remaining maturity of such Senior Non-Preferred Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the Issue Date of such Series of Senior Non-Preferred Notes; and

"**Loss Absorption Regulations**" means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the UK (including, without limitation, any provisions of the Insolvency Act 1986, as amended from time to time), any relevant Supervisory Authority and/or of the European Parliament or of the Council of the European Union then in effect in the UK and applicable to the Issuer (whether on an individual or consolidated basis), including, without limitation to the generality of the foregoing, any applicable delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any relevant Supervisory Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer).

(g) *Early Redemption Amounts*

For the purpose of Condition 7(b) (*Redemption and Purchase - Redemption for Tax Reasons*) above and Condition 10 (*Events of Default*):

(i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(ii) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

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

where:

"**RP**" means the Reference Price; and

"**AY**" means the Accrual Yield; and

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

(h) *Purchases*

Subject in the case of Subordinated Notes to obtaining the Regulatory Approval and compliance with the Regulatory Preconditions, the Issuer or any Subsidiary (as defined in the Trust Deed) of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. All Notes so purchased (other than Notes purchased by a Subsidiary of the Issuer which is a dealer in securities) will be surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7(h) (*Redemption and Purchase - Purchases*) above (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

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

This Condition 7(j) applies to Senior Non-Preferred Notes only.

The Issuer may only exercise a right to redeem, purchase, substitute or vary Senior Non-Preferred Notes pursuant to Conditions 7(b) (*Redemption and Purchase – Redemption for Tax Reasons*), (c) (*Redemption at the Option of the Issuer (Issuer Call)*), (d) (*Redemption at the Option of the Noteholders (other than holders of Subordinated Notes (Investor Put))*), (f) (*Redemption following a Loss Absorption Disqualification Event*), (h) (*Purchases*) or (k) (*Substitution and Variation of Senior Non-Preferred Notes*) (as the case may be), or modify the Conditions or the Trust Deed in respect of any outstanding Series of Senior Non-Preferred Notes as provided in Condition 16(a) (*Meetings of Noteholders, Modification and Waiver*):

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

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

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

This Condition 7(k) applies to each Series of Senior Non-Preferred Notes unless "Senior Non-Preferred Notes: Substitution and Variation" is expressly specified to be "Not Applicable" in the applicable Final Terms.

Upon the occurrence of a Loss Absorption Disqualification Event in respect of a Series of Senior Non-Preferred Notes, the Issuer (in its sole discretion but subject to Condition 7(j) (*Redemption and Purchase – Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*)), having given notice of not more than 30 days nor less than 15 days prior to the date of substitution or variation (as the case may be) to the Trustee and, in accordance with Condition 15 (*Notice*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for substitution or variation, as applicable) may, without any requirement for the consent or approval of the Noteholders or Couponholders, either substitute all (but not some only) of the Senior Non-Preferred Notes of such Series for, or vary the terms of the Senior Non-Preferred Notes of such Series so that they remain or, as appropriate, become, Loss Absorption Compliant Notes. Upon the expiry of the notice referred to above, the Issuer shall either substitute or, as the case may be, vary the terms of the relevant Senior Non-Preferred Notes and, subject as set out below, the Trustee shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this Condition 7(k), the Issuer shall comply with the rules of any stock exchange on which the relevant Senior Non-Preferred Notes are for the time being listed or admitted to trading.

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

(i) the Issuer complying with Condition 7(j) (*Redemption and Purchase – Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*);

(ii) such substitution or variation not resulting in any event or circumstance which at that time gives the Issuer a redemption right in respect of the resulting Loss Absorption Compliant Notes; and

(iii) prior to the publication of any notice of substitution or variation, the Issuer having delivered to the Trustee a certificate signed by two Directors of the Issuer stating that the Loss Absorption Disqualification Event giving rise to the right to substitute or vary the Senior Non-Preferred Notes has occurred as at the date of the certificate and that the conditions set out in Conditions 7(j)(i) and (ii) (*Redemption and Purchase – Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) have been satisfied, and the Trustee shall be entitled to accept and rely on such certificate without liability to any person and without any further inquiry as sufficient evidence thereof, in which event it shall (in the absence of wilful default, manifest error or bad faith), and without prejudice to the Trustee's ability to rely on such certificate as aforesaid, be conclusive and binding on the Trustee and all Noteholders and Couponholders.

The Trustee shall, subject to the Issuer's compliance with Conditions 7(k)(i), 7(k)(ii) and 7(k)(iii) and the provision of the certificate signed by two Directors of the Issuer as referred to in the definition of Loss Absorption Compliant Notes, and at the expense and cost of the Issuer, use reasonable endeavours to assist the Issuer in any substitution or variation of the relevant Senior Non-Preferred Notes in accordance with this provision, except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes would, in the Trustee's opinion, impose more onerous obligations upon it or expose the Trustee to any additional duties, responsibilities or liabilities in any respect or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any respect.

In connection with any such substitution or variation, the Trustee may rely without liability to any Noteholders, Couponholders or any other person on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institutions or any other experts, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept

and shall be entitled to rely on any such report, confirmation, certificate or advice and such report, confirmation, certificate or advice shall (in the absence of wilful default, manifest error or bad faith), and without prejudice to the Trustee's ability to rely on such certificate as aforesaid, be binding on the Issuer, the Trustee and the Noteholders and Couponholders.

(l) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7(a) (*Redemption and Purchase - Redemption at Maturity*), (b) (*Redemption for Tax Reasons*), (c) (*Redemption at the Option of the Issuer (Issuer Call)*) or (d) (*Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)* above) or upon its becoming due and repayable as provided in Condition 10 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7(g)(ii) (*Redemption and Purchase – Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

(m) *Definitions*

As used in these Conditions:

"**Capital Adequacy Regulations**" means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then applicable to the Issuer (and, for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing the Capital Requirements Directive and the Capital Requirements Regulation);

"**Capital Requirements Directive**" means Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

"**Capital Requirements Regulation**" means Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

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

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

(A) such securities are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;

(B) such securities and any relative coupons rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) equally with the ranking of the relevant Senior Non-Preferred Notes;

(C) such securities have terms not materially less favourable to Noteholders and Couponholders than the terms of the relevant Senior Non-Preferred Notes and relative Coupons (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing);

(D) (without prejudice to paragraph (C) above) such securities: (1) contain terms such that they comply with the then applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's minimum requirements (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) bear the same rate of interest from time to time applying to the relevant Senior Non-Preferred Notes and preserve the same interest payment dates; (3) do not contain terms providing for deferral of payments of interest and/or principal; (4) preserve the obligations (including the obligations arising from the exercise of any right of a Noteholder) of the Issuer as to redemption of the relevant Senior Non-Preferred Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to common equity tier 1 instruments (provided that any contractual acknowledgement of statutory loss absorption or resolution powers pursuant to the Loss Absorption Regulations shall not be prohibited by this Condition); and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the relevant Senior Non-Preferred Notes and relative Coupons which has accrued to Noteholders or Couponholders and not been paid;

(E) such securities are listed on the same stock exchange or market as the relevant Senior Non-Preferred Notes or the London Stock Exchange or any EEA regulated market or any market in an Organisation for Economic Co-operation and Development (OECD) member state selected by the Issuer; and

(F) where the relevant Senior Non-Preferred Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, such securities benefit from (or will, as announced, or otherwise confirmed in writing, by each such relevant Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the relevant Senior Non-Preferred Notes immediately prior to their substitution or variation;

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

"**Regulatory Approval**" means, at any time, such approval, consent, prior permission or non-objection from, or notification required within prescribed periods to, the Supervisory Authority, or such waiver of the then prevailing Capital Adequacy Regulations from the Supervisory Authority, as is required under the then prevailing Capital Adequacy Regulations at such time;

"**Regulatory Event**" means, as a result of any change (or pending change which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Notes which becomes effective after the date of issue of the Notes and that results, or would be likely to result, in:

(i) if "Regulatory Event (Subordinated Notes only): Full Exclusion" is specified in the applicable Final Terms, the entire principal amount of the Subordinated Notes being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis); or

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

"**Regulatory Preconditions**" means in relation to any redemption of the Notes pursuant to Conditions 7(b) (*Redemption and Purchase - Redemption for Tax Reasons*), 7(d) (*Redemption and Purchase - Redemption at the Option of the Noteholders (other than holders of Subordinated Notes) (Investor Put)*) or 7(e) (*Redemption and Purchase - Regulatory Event Redemption of Subordinated Notes*) or a purchase of the Notes pursuant to Condition 7(h) (*Redemption and Purchase - Purchases*):

(i) 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 Supervisory Authority that the own funds of the Issuer would, following such redemption or repurchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Supervisory Authority considers necessary at such time; and

(ii) if, at the time of such redemption or purchase, the prevailing Capital Adequacy Regulations permit the redemption or purchase after compliance with an alternative pre-condition to either or both of those set out in paragraph (i) above, or require compliance with an additional pre-condition, the Issuer having complied with such other pre-condition;

"**Supervisory Authority**" means the Prudential Regulation Authority ("**PRA**") and any successor or replacement thereto or such other authority (whether of the UK, the EU or elsewhere) having primary responsibility for the prudential oversight and supervision of the Issuer; and

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

8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will (a) in the case of (i) all Senior Preferred Notes and (ii) each Series of Senior Non-Preferred Notes unless the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", in respect of payments of interest (if any) or principal, or (b) in the case of (i) all Subordinated Notes and (ii) each Series of Senior Non-Preferred Notes for which the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", in respect of payments of interest (if any) only, pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Certificate or Coupon presented for payment:

(a) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Certificate or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Certificate or Coupon; or

(b) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for

payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f) (*Payments - Payment Day*));

As used in these Terms and Conditions:

(i) "**Tax Jurisdiction**" means the UK or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

For the avoidance of doubt, if a Note is a Subordinated Note or a Senior Non-Preferred Note for which the applicable Final Terms expressly specifies "Senior Non-Preferred Notes: Gross-up of principal" as "Not Applicable", the Issuer will not pay any such additional amounts in respect of principal of such Note, and payments of principal on such notes will be made net of such additional amounts.

9. Prescription

Claims will become prescribed (in the case of principal) after 10 years and (in the case of interest) after five years after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) (*Payments - Presentation of Definitive Bearer Notes and Coupons*) or any Talon which would be void pursuant to Condition 6(b) (*Payments - Presentation of Definitive Bearer Notes and Coupons*).

10. Events of Default

(a) *Senior Preferred Notes, Unrestricted Default Senior Non-Preferred Notes*

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

The Trustee, at its discretion may, and if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or pre-funded and/or secured to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (determined in accordance with Condition 7(g) (*Redemption and Purchase – Early Redemption Amounts*)) plus accrued interest as provided in the Trust Deed, if any of the following events (each an "**Event of Default**") shall occur:

(i) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(ii) if default is made by the Issuer in the performance or observance of any Condition or provision binding on the Issuer under the Notes or the Trust Deed and (except in any case where the default is, in the opinion of the Trustee, incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if:

(1) any payment aggregating an amount of at least £10,000,000 (or its equivalent in any other currency or currencies) in respect of the principal of or any premium of or interest on any Indebtedness for Moneys Borrowed of the

Issuer or any Material Subsidiary is not made on its due date (or by the expiry of any applicable grace period therefor); or

(2) any Indebtedness for Moneys Borrowed of the Issuer or any Material Subsidiary having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity by reason of default; or

(3) if any guarantee of or indemnity in respect of any payment aggregating an amount of at least £10,000,000 (or its equivalent in any other currency or currencies) in respect of any Indebtedness for Moneys Borrowed of any third party given by the Issuer or any Material Subsidiary is not honoured when due and called upon (or by the expiry of any applicable grace period therefor); or

(iv) if an administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or in relation to the whole or, in the opinion of the Trustee, a material part of the assets of any of them or if an encumbrancer takes possession of, or an administrative or other receiver is appointed in relation to, the whole or, in the opinion of the Trustee, any material part of the assets of the Issuer or a Material Subsidiary or a distress or execution is levied or enforced upon or sued out against the whole or, in the opinion of the Trustee, any material part of the assets of the Issuer or a Material Subsidiary and, in any such case, is not discharged within 60 days; or

(v) if, except for the purposes of or pursuant to a Permitted Transfer (as defined below):

(1) the Issuer stops payment to its creditors generally or, in the opinion of the Trustee, ceases to carry on the whole or substantially the whole of its business; or

(2) the Supervisory Authority presents a petition for the winding up of the Issuer or an effective resolution, instrument of dissolution or award for dissolution is passed, entered into or made or an order is made or an effective resolution is passed for the winding up or the dissolution of the Issuer or the Issuer is wound up or dissolved in any other manner; or

(3) an order is made pursuant to the Act the effect of which is to prevent the Issuer from accepting the deposit of, or otherwise borrowing, any money or from accepting any payment representing the whole or any part of the amount due by way of subscription for a share in the Issuer, other than a payment which fell due before the making of the said order; or

(4) the Issuer's authorisation under the Act is revoked or is not renewed or the registration of the Issuer as a building society is suspended or cancelled or the Issuer requests any such suspension or cancellation; or

(5) the Issuer amalgamates with, or transfers the whole or, in the opinion of the Trustee, a material part of its engagements or its business to another person or Skipton Group Holdings Limited amalgamates with, or transfers the whole or a part of its undertaking or its business to another person which part is, in the opinion of the Trustee, material in the context of the engagements or undertaking or business of the Issuer and Skipton Group Holdings Limited as a whole; or

(6) the Issuer gives notice in writing that it wishes to cease to be permitted under Part IV of the Financial Services and Markets Act 2000 (the "**FSMA**") to accept the deposit of, or otherwise borrow, any money; or

(vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or for the purposes of a solvent winding up where the assets of a Material Subsidiary attributable directly or indirectly to the Issuer are distributed to any one or more of the Issuer and the other Subsidiaries which are, or would as a result become, Material Subsidiaries:

(1) a Material Subsidiary stops payment to its creditors generally or, in the opinion of the Trustee, ceases to carry on the whole or substantially the whole of its business; or

(2) an order is made by any competent court or resolution is passed for the winding up or dissolution of any Material Subsidiary,

PROVIDED, in the case of any Event of Default other than those described in Conditions 10(a)(i) (*Events of Default - Senior Preferred Notes, Unrestricted Default Senior Non-Preferred Notes*) above and 10(a)(v)(2) (*Events of Default - Senior Preferred Notes, Unrestricted Default Senior Non-Preferred Notes*) above, the Trustee shall have certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition 10 (*Events of Default*):

(i) "**Indebtedness for Moneys Borrowed**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (1) money borrowed, (2) liabilities under or in respect of any acceptance or acceptance credit or (3) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

(ii) a "**Material Subsidiary**" shall mean any Subsidiary of the Issuer whose:

(1) total assets (attributable to the Issuer) are equal to 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries; or

(2) gross income (attributable to the Issuer) is equal to 10 per cent. or more of the Consolidated Revenue (as defined in the Trust Deed),

all as more particularly defined in the Trust Deed and a certificate addressed to the Trustee) by two Directors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties; and

(iii) a "**Permitted Transfer**" shall mean:

(1) an amalgamation of the Issuer and one or more other building societies under section 93 of the Act; or

(2) a transfer by the Issuer of all or substantially all (being 90 per cent. or more of the Issuer's engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders) any smaller part of its engagements under section 94 of the Act; or

(3) a transfer by the Issuer of its business to a company under sections 97 to 102D of the Act; or

(4) an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or

(5) any other reconstruction or amalgamation or transfer to a subsidiary of another mutual society pursuant to the 2007 Act the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders.

(b) *Subordinated Notes and Restricted Default Senior Non-Preferred Notes*

This condition 10(b) only applies if this Note is (a) a Subordinated Note or (b) a Senior Non-Preferred Note for which "Senior Non-Preferred Notes: Restricted Events of Default" is specified in the applicable Final Terms as "Applicable" (a "**Restricted Default Senior Non-Preferred Note**"), and references in this Condition 10(b) to Notes shall be construed accordingly.

(i) In the event of a default being made for a period of 14 days or more in payment of any principal or interest due on the Notes or any of them, in each case as and when the same ought to be paid, the Trustee may, in order to enforce the obligations of the Issuer under the Trust Deed, the Notes and Coupons, at its discretion without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no further action in respect of such default.

(ii) The Trustee may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Notes and the relative Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes and Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings (other than proceedings for the winding up of the Issuer) be obliged to pay any sum or sums representing principal or interest in respect of the Notes or Coupons sooner than the same would otherwise have been payable by it.

(iii) In the event of the cancellation of the Issuer's registration under the Act (except pursuant to Section 93, Section 94, Section 97 or Section 103(1)(a) of the Act), the commencement of the winding up of the Issuer or the commencement of the dissolution of the Issuer (except in any such case a winding up or dissolution for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a Successor in Business (as defined in the Trust Deed) or the transfer of the Issuer's business to a subsidiary of another mutual society pursuant to the 2007 Act the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or as a result of an amalgamation pursuant to Section 93 of the Act or a transfer of engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act), the Trustee at its discretion may give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (determined in accordance with Condition 7(g) (*Redemption and Purchase – Early Redemption Amounts*)) plus accrued interest as provided in the Trust Deed.

11. Enforcement

(a) *Enforcement in respect of Senior Preferred Notes and Unrestricted Default Senior Non-Preferred Notes*

This Condition 11(a) only applies if this Note is (1) a Senior Preferred Note or (2) an Unrestricted Default Senior Non-Preferred Note, and references in this Condition 10(a) to the Notes shall be construed accordingly.

The Trustee may, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Notes or the Trust Deed, but it shall not be bound to take any such proceedings or any other action in relation to the Notes or under the Trust Deed unless (1) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding, and (2) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to proceed as aforesaid, (1) fails to do so within a reasonable time, or (2) is unable for any reason so to do, and such failure or inability is continuing.

(b) *Enforcement in respect of Subordinated Notes and Restricted Default Senior Non-Preferred Notes*

This Condition 11(b) only applies if this Note is (1) a Subordinated Note or (2) a Restricted Default Senior Non-Preferred Note, and references in this Condition 11(b) to Notes shall be construed accordingly.

(i) Upon any Notes becoming due and repayable, the Trustee may at its discretion institute proceedings for the winding-up of the Issuer, and/or prove in any winding up of the Issuer but may take no further action to enforce the obligations of the Issuer for payment of any principal or interest in respect of the Notes.

(ii) Without prejudice to Condition 11(b)(i) (*Enforcement - Enforcement in respect of Subordinated Notes and Restricted Default Senior Non-Preferred Notes*) above, if the Issuer breaches any of its obligations under the Trust Deed or the Notes (other than any obligation for the payment of any principal or interest in respect of the Notes) then and/or at any time after the Notes become due and repayable the Trustee may, subject as provided below, at its discretion and without further notice bring such proceedings as it may think fit to enforce the obligation in question. The Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sums representing or measured by reference to principal or interest on the Notes sooner than the same would otherwise have been payable by it.

(iii) The Trustee shall not be bound to take any such proceedings as are referred to in Conditions 11(b)(i) (*Enforcement - Enforcement in respect of Subordinated Notes and Restricted Default Senior Non-Preferred Notes*) and (ii) above unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(iv) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do and such failure is continuing, in which case the Noteholder or, as the case may be, Couponholder shall have only such rights against the issuer as those which the Trustee is entitled to exercise. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in any winding up of the Issuer, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails so to do within a reasonable time and such failure is continuing, or being able to prove in any winding up of the Issuer fails so to do, then any such holder may on giving an indemnity satisfactory to the Trustee in the name of the Trustee (but not otherwise) himself or herself institute proceedings for the winding up in England of the Issuer and/or prove in any winding up of the Issuer to the same extent (but not further or otherwise) to which the Trustee would have been entitled so to do. No remedy against the Issuer, other than the institution of proceedings for the winding up of the Issuer or the proving or claiming in any winding up of the Issuer, shall be available to the Trustee or the Noteholders or Couponholders for the recovery of amounts owing in respect of the Subordinated Notes or under the Trust Deed.

(c) Nothing in this Condition 11 (*Enforcement*) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

12. Replacement of Notes, Certificates, Coupons and Talons

Should any Note, Certificate Coupon or Talon be 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 Certificates) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

13. Agents

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled (with the prior written consent of the Trustee) to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent each with a specified office in such place as may be required by the rules and regulations of the relevant competent authority or the relevant stock exchange.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e) (*Payments - General Provisions Applicable to Payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain limited circumstances specified in the Agency Agreement, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

15. Notices

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily national newspaper of general circulation in the UK. It is expected that such publication in a newspaper will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes or Global Certificates representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such website(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder 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. Whilst any of the Notes are represented by a Global Note or a Global Certificate, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear

and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. Meetings of Noteholders, Modification and Waiver

(a) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or these Terms and Conditions or any of the provisions of the Trust Deed subject, in the case of modifications with respect to any series of Senior Non-Preferred Notes and/or Subordinated Notes, to obtaining Regulatory Approval therefor (if and to the extent required by the Supervisory Authority at such time). Such a meeting may be convened by the Issuer or by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Coupons, these Terms and Conditions or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

(b) The Trustee may without the consent of the Noteholders or Couponholders:

(i) agree to any modification of any of the provisions of the Notes, the Coupons, these Terms and Conditions or the Trust Deed or any waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any provision of the Trust Deed or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders; or

(ii) agree to any modification of the Notes, the Coupons, these Terms and Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any amendments in accordance with Condition 5(f) (*Interest – Benchmark Replacement*) without the consent of Noteholders or Couponholders.

The Trustee shall also be obliged to concur with the Issuer in effecting any substitution or variation of the Senior Non-Preferred Notes as set out in (and subject to the terms of) Condition 7(j) (*Redemption and Purchase – Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Noted*) without the consent of the Noteholders or Couponholders.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

(c) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination under this Condition or substitution under Condition 17 (*Substitution*)), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the

consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political territory or any political sub-division thereof 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 except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

17. Substitution

(a) If the Issuer shall amalgamate with one or more other building societies under section 93 of the Act or transfer all or substantially all (being 90 per cent. or more of the Issuer's engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) of its engagements to another building society under section 94 of the Act or transfer its business to a successor in accordance with sections 97 to 102D of the Act, the successor will, pursuant to such provisions, but subject to the proviso below, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons without any prior approval thereof being required from the Noteholders, the Couponholders or the Trustee and references to the Issuer shall be construed accordingly, provided that (in the case of Subordinated Notes and Senior Non-Preferred Notes in the case of a proposed transfer in accordance with section 97 of the Act and other such applicable provisions):

(i) either (A) the Issuer satisfies the Trustee that the successor will be or (as the case may be) remain an authorised institution under the FSMA (or any statutory modification or re-enactment thereof) or (B) such transfer is approved by an Extraordinary Resolution of the Noteholders;

(ii) in connection with such transfer, any variation or supplement to these Conditions must be limited to dealing with matters arising out of the procedure by which the transfer takes place and the constitution of the transferee and must not vary or supplement these Conditions in a manner which would or might cause any of the financial resources derived by the Issuer from the issue of the Notes to which the Trust Deed relates and which comprise Tier 2 Capital to be excluded from the financial resources considered appropriate by the Supervisory Authority for the purposes of paragraph 4(1) of Schedule 6 of the FSMA;

(iii) the Issuer shall provide the Trustee with a certificate signed by two Directors confirming that the preconditions referred to in paragraphs (i) and (ii) above have been satisfied and, immediately following any such substitution, would remain satisfied. The Trustee shall be fully entitled to accept and rely upon any such certificate without liability to any person and where the Trustee chooses to accept any such certificate it will be conclusive and binding on all interested parties (including the Noteholders and Couponholders);

(iv) any such variation or supplement to the Conditions referred to in paragraph (b) above shall be effected (at the expense of the Issuer) by the execution of a trust deed supplemental to the Trust Deed and shall bind any successor as fully as if the successor had been named in the Trust Deed as principal debtor in place of the Issuer. A memorandum of any such supplemental trust deed shall be endorsed by the Trustee on the Trust Deed and by the Issuer on the duplicate of the Trust Deed. Without prejudice to the foregoing, the Trustee shall have no obligation to enter into any such supplemental trust deed where, in the Trustee's sole opinion, it would incur additional obligations or its rights or protections would be in any way reduced;

(v) no variation or supplement to the terms of the Trust Deed or of these Conditions shall be made which would or might cause:

(A) any qualifying own funds or capital resources of the Issuer for the purposes of the Capital Adequacy Regulations prevailing at that time to be excluded from such own funds or capital resources; or

(B) any liabilities of the Issuer which, for the purposes of the Loss Absorption Regulations prevailing at that time, qualify towards the Issuer's minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments to be excluded from such minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments.

(b) Without prejudice to Condition 17(a) (*Substitution*) above and subject as provided in the Trust Deed, the Trustee may agree, without the consent of the Noteholders or Couponholders, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, to the transfer of the Issuer's business to a subsidiary of another mutual society pursuant to the 2007 Act or the substitution of either a Successor in Business to the Issuer (as defined in the Trust Deed) or a Subsidiary of the Issuer or a subsidiary of a Successor in Business to the Issuer, not being in any case a building society formed by the amalgamation of the Issuer and one or more other building societies pursuant to section 93 of the Act or a building society to which the Issuer has transferred its engagements pursuant to section 94 of the Act or the successor in accordance with section 97 or other applicable provisions of the Act, in place of the Issuer as principal debtor under the Trust Deed, the Notes and Coupons, provided that in the case of a substitution of a company which is a Subsidiary of the Issuer or a subsidiary of the Successor in Business to the Issuer, the obligations of such substitute in respect of the Trust Deed, the Notes and Coupons shall be guaranteed by the Issuer or the Successor in Business to the Issuer, as the case may be, in such form as the Trustee may require and provided further that (in the case of Subordinated Notes) the obligations of such Successor in Business to the Issuer or Subsidiary of the Issuer or subsidiary of a Successor in Business to the Issuer, as the case may be, and any such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations in respect of the Notes and Coupons.

(c) Any substitution referred to in Conditions 17(a) (*Substitution*) and (b) above shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders by the Issuer as soon as practicable thereafter in accordance with Condition 15 (*Notices*). In the case of Notes listed on the Official List (as defined in the Trust Deed), in the event of such substitution, a new Offering Circular will, if so required, be prepared in accordance with the Prospectus Directive.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. Contracts Rights of Third Parties

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

20. Governing Law and Submission to Jurisdiction

(a) *Governing law*

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

(b) *Submission to jurisdiction*

(i) Subject to Condition 20(b)(iii) (*Governing Law and Submission to Jurisdiction - Submission to jurisdiction*) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity

and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a "**Dispute**") and accordingly each of the Issuer and the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of this Condition 20(b) (*Governing Law and Submission to Jurisdiction - Submission to jurisdiction*), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

Summary of Provisions Relating to the Notes while in Global Form

Initial Issue of Notes

Bearer Notes will initially be issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent Global Note (a "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and

(ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the issue date of the relevant Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Upon the initial deposit of a Global Note with the Common Safekeeper or the Common Depositary, as the case may be, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to (i) in the case of Global Certificates intended to be held under the new safekeeping structure ("**NSS**"), the Common Safekeeper; and (ii) in the case of Global Certificates which are not intended to be held under the NSS, the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

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

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

Issuer — ICSDs Agreement

The Issuer has entered or will enter into an agreement with Euroclear and Clearstream, Luxembourg in respect of any Notes issued in NGN form or under the NSS that the Issuer may request be made eligible for settlement with Euroclear and Clearstream, Luxembourg (the "**Issuer-ICSDs Agreement**"). The Issuer-ICSDs Agreement provides that Euroclear and Clearstream, Luxembourg will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount of such Notes and will, upon the Issuer's request, produce a statement for the Issuer's use showing the total nominal amount of its customer holdings of such Notes as of a specified date.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global

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

1. Exchange

(a) *Temporary Global Notes*

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

(i) if the applicable Final Terms indicates that such Global Note is issued in compliance with the TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme — Selling Restrictions" above), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership for interests in a permanent Global Note or, if so provided in the applicable Final Terms, for Definitive Notes.

(b) *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes:

(i) if the applicable Final Terms provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Principal Paying Agent of its election for such exchange; and

(ii) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no successor clearing system is available or (2) if principal in respect of any Notes is not paid when due, in each case by the holder giving notice to the Principal Paying Agent of its election for such exchange.

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

The exchange of a permanent Global Note for Definitive Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a temporary Global Note exchangeable for Definitive Notes.

The following legend will appear on all Bearer Notes (other than Temporary Global Notes), and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE

LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

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

(c) *Global Certificates*

If the applicable Final Terms state that the Notes are to be represented by a Global Certificate on issue, transfers of the holding of Registered Notes represented by any Global Certificate pursuant to Condition 2(a) (*Transfers of Registered Notes - Transfer of Registered Notes*) may only be made in part:

(i) if the Registered Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the consent of the Issuer,

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

(d) *Delivery of Notes and Certificates*

On or after any due date for exchange the holder of a Global Note or Global Certificate may surrender such Global Note or, as the case may be, Global Certificate or, in the case of a partial exchange and where the temporary Global Note is not intended to be in NGN form or where the Global Certificate is not held under the NSS, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any Global Note or Global Certificate, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange and where the temporary Global Note is not intended to be in NGN form, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note or Global Certificate exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of Interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note or Global Certificate, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes and/or Certificates.

(e) *Exchange Date*

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

2. Amendment to Conditions

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

(a) *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made to the extent that certification as to non-U.S. beneficial ownership has been received by Euroclear and Clearstream, Luxembourg. All payments in respect of Notes represented by a Global Note if the Global Note is not intended to be issued in NGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. On the occasion of each payment, (i) in the case of any Global Note which is not intended to be issued in NGN form, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Note which is intended to be a NGN, the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(b) *Prescription*

Claims against the Issuer in respect of Notes that are represented by a Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

(c) *Cancellation*

Cancellation of any Note represented by a Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note or Global Certificate as the case may be.

(d) *Purchase*

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) set out in the applicable Final Terms.

(e) *Noteholders' Option*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Note or a Global Certificate may be exercised by the holder of the Global Note or Global Certificate giving notice to the Principal Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions (which notice may be given in electronic form), except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, unless the Global Note is in NGN form or where the Global Certificate is held under the NSS, presenting the Global Note or Global Certificate to the Principal Paying Agent, or to a Paying Agent acting on behalf of the Principal Paying Agent, for notation.

(f) *Trustee's Powers*

In considering the interests of Noteholders while any Global Note is held on behalf of, or Global Certificate are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Global Certificate.

Use of Proceeds

The net proceeds from each issue of Notes will be applied by the Issuer for the general purposes of its business.

Certain Provisions of the Building Societies Act 1986 and the Supervisory Authority

In this section, "**Supervisory Authority**" means the Prudential Regulation Authority and any successor organisation responsible for the supervision of building societies or authorised persons under the FSMA in the UK in the areas described below.

Amalgamation

Section 93 of the Act permits a building society to amalgamate with one or more building societies by establishing a building society as their successor. Amalgamation requires a shareholding members' resolution (as defined in Schedule 2 of the Act) passed by the shareholding members of each amalgamating society and a borrowing members' resolution (as defined in Schedule 2 of the Act) passed by the borrowing members of each amalgamating society. Confirmation by the Supervisory Authority is also required. The Act provides that on the date specified by the Supervisory Authority all of the property, rights and liabilities (which would include the Notes) of each of the societies shall by virtue of the Act be transferred to and vested in the successor, whether or not otherwise capable of being transferred or assigned.

Transfer of Engagements

Section 94 of the Act permits a building society to "transfer its engagements to any extent" to another building society which undertakes to fulfil such engagements. A transfer requires a shareholding members' resolution passed by the shareholding members of the transferor society and the transferee society, and a borrowing members' resolution passed by the borrowing members of the transferor society and the transferee society. Additional requirements may apply for approvals of a partial transfer of engagements. However, the resolutions of the transferee society are not required if the Supervisory Authority consents to the transfer proceeding by a resolution of its board of directors only. The transfer must be confirmed by the Supervisory Authority. The Act provides that on the date specified by the Supervisory Authority and to the extent provided in the instrument of transfer, the property, rights and liabilities of the transferor society shall by virtue of the Act be transferred to and vested in the transferee society, whether or not otherwise capable of being transferred or assigned.

Transfer of Business to a Commercial Company

Sections 97 to 102D of the Act permit a building society to transfer the whole of its business to a company which has been specially formed by the society wholly or partly for the purpose of assuming and conducting the society's business in its place or is an existing company which is to assume and conduct the society's business in its place. The transfer must be approved by a requisite shareholding members' resolution (unless the Supervisory Authority directs otherwise in the case of a transfer to an existing company) in accordance with Schedule 2, paragraph 30(2)–(5) of the Act passed by the shareholding members and by a borrowing members' resolution passed by the borrowing members. The society must obtain the confirmation of the Supervisory Authority to the transfer and its terms. If the Supervisory Authority confirms the transfer then the Act provides that on the vesting date (as defined in the Act) all of the property, rights and liabilities (which would include the Notes) of the society making the transfer, whether or not capable of being transferred or assigned, shall by virtue of the Act and in accordance with transfer regulations (then in force) be transferred to and vested in the successor.

Section 100 of the Act deals with rights of investing members on a conversion. Where, in connection with any transfer, rights are to be conferred on members of the relevant society to acquire shares in the successor, the right is restricted to shareholding members of the society who have held their shares in the society throughout the period of two years expiring on a qualifying day specified in the transfer agreement and to holders on the qualifying day of deferred shares of the society of a class described in the transfer agreement. Also, all qualifying shareholding members' shares are converted into deposits with the successor. On any such transfer, investing members of the society who were members on the qualifying day but not entitled to vote on the transfer resolution will receive a cash bonus equal to their notional share of the reserves of the society (unless the Supervisory Authority directs otherwise in the case of a transfer to an existing company). If the transfer is to an existing company, any distribution of funds (apart from the statutory cash bonus referred to above) may only be made to shareholding members of the society who have held their shares in the society throughout

the period of two years expiring on a qualifying day specified in the transfer agreement and to holders on the qualifying day of deferred shares of the society of a class described in the transfer agreement.

Mutual Society Transfers

The Act (as modified by the Mutual Societies (Transfers) Order 2009) permits a building society to transfer the whole of its business to the subsidiary of another mutual society (as defined in section 3 of the 2007 Act. The successor subsidiary must be duly authorised to carry on its deposit-taking business by the Supervisory Authority or an equivalent EEA regulatory authority. The terms of the transfer to the relevant subsidiary must include provision for making membership of the holding mutual (or membership of the parent undertaking of such holding mutual) available to every qualifying member of the building society and to every person who, after the transfer, becomes a customer of the company, and the membership of the holding mutual (or such parent undertaking) must be on terms no less favourable than those enjoyed by existing members of the holding mutual (or such parent undertaking as the case may be).

A transfer of business to a subsidiary of another mutual society requires the approval of a shareholding members' resolution and a borrowing members' resolution.

Directed Transfers

The Act confers power on the Supervisory Authority, if it considers it expedient to do so in order to protect the investments of shareholders or depositors, to direct a building society to transfer all of its engagements to one or more other building societies or to transfer its business to an existing company. The Financial Services Act 2012 also amended the Act to extend this power of direction to a transfer of a building society's business to an existing or specially formed company that is a subsidiary of another mutual society (as defined in section 3 of the 2007 Act). Where any such direction is made, the Supervisory Authority may also, if it considers it expedient to do so in order to protect the investments of shareholders or depositors, direct that such transfer may proceed on the basis of a resolution of the board of directors of the building society, without the need for member approval.

The relevant society may, as a result of an amalgamation, transfer of engagements or transfer of business as described above, be replaced, as the principal debtor under all or some of the Notes, by an entity substantially different in nature from the Society at present or with a substantially different capital position. In all cases the confirmation of the Supervisory Authority is required before any such change can take place.

Description of the Issuer

Introduction to the Society

Skipton Building Society was established originally in 1853. It was incorporated in England under the Building Societies Act 1874 as the Skipton and District Permanent Benefit Building Society and adopted its present name in 1929. The principal office of the Society is The Bailey, Skipton, North Yorkshire BD23 1DN and its telephone number is +44 (0)1756 705 000.

The Society distributes products through multiple channels including 88 branches, a central mortgage service centre, by telephone and the internet. During 2018 the Society employed an average of 1,399 full- and part-time staff at its principal office, 769 staff at its branches and 7,346 staff within its subsidiaries.

As at 31 December 2018 the Society, together with its subsidiaries (the "Group"), had total Group assets of £23,204 million, making it the fourth largest building society in the United Kingdom.

Constitution

The Society is incorporated under the Act for an unlimited duration. The Society is a building society authorised by the PRA and regulated by the FCA and PRA under registration number 153706 for accepting deposits, advising on and arranging mortgages and insurance.

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

Principal business areas and subsidiaries

General

The principal purpose of the Society, as stated in Clause 3 of its Memorandum, is that of making loans which are secured on residential property and funded substantially by its members. The Society's objective is to continue to be an independent, highly efficient and innovative seller of financial services while at the same time balancing the needs of its various stakeholders. To help achieve this objective the Society has a long term strategy of investing in related businesses where appropriate opportunities are identified. The Group offers a range of financial services products and services to individuals, from mortgages and investments, financial advice, estate agency services and life and other insurance sales. The diverse Group also provides a comprehensive range of mortgage and credit related services to businesses, including mortgage broking and business finance through mortgages and debt factoring.

Subsidiaries

The subsidiaries of the Society as at 31 December 2018 are detailed in the Annual Report and Accounts as at 31 December 2018, incorporated by reference into this Offering Circular.

Mortgage lending

The Society competes in the UK residential mortgage market with a broad range of products targeted at different customer segments. The competitive nature of the UK mortgage market means that innovation is a key marketing competence. The Society continually reviews its product offerings and aims to deliver innovative and keenly priced mortgages. The Society's mortgage lending is supplemented by Skipton International Limited ("SIL"), a subsidiary providing mortgages in Guernsey, Jersey and in the UK. Amber Homeloans Limited ("Amber"), a specialist lending subsidiary, ceased new lending in March 2008 following a review of the risks surrounding this business and is now concentrating on managing its portfolio of loans. North Yorkshire Mortgages Limited ("NYM"), a further specialist lending subsidiary, likewise ceased new lending in February 2008.

The Group's key operational expertise lies in timely mortgage processing and arrears management and, it continues to take all appropriate action to minimise losses on non-performing accounts and actively monitors the prudence of its lending policies, taking account of economic and other market conditions.

Savings

The Group continues to obtain the majority of its funding through retail member deposits. Competition in this market is intense; however the Group aims to offer members a varied and innovative mix of savings products which consistently offer good value to the customer.

Skipton Group	Group position as at	
	31 December 2018 (£m)	*31 December 2017* (£m)
Share balances	16,114	14,986

Offshore deposits are also accepted via SIL.

Estate agency

The Group offers estate agency services through the Connells group of companies which has 586 estate agency branches. In addition to this, through more than 300 chartered surveyors, Connells also provides residential survey and valuation services to homebuyers, lenders and other participants in the residential property market. Connells also has a growing lettings business with 304 lettings branches as at 31 December 2018. Connells benefits from its own diversification through an asset management business which acts as a natural mitigant in times when the core estate agency business is depressed.

The volume of housing transactions in the UK fell again in 2018 and consequently the number of house sales arranged by Connells fell by 7 per cent. during the year (2017: fall of 4 per cent.). However, lettings income increased by 5 per cent. (2017: 9 per cent.), financial services income by 10 per cent. (2017: 13 per cent.) and survey and valuation income by 2 per cent. (2017: 5 per cent.), reflecting the diverse revenue generating activities carried out by the Connells group.

Investment portfolio

The Group's Investment Portfolio comprises of interests in a small number of companies, including Skipton Business Finance (a provider of debt factoring and invoice discounting to small and medium sized enterprises) and Jade Software Corporation (a software solutions provider based in New Zealand that specialises in digital solutions and large enterprise IT solutions, and assists in the development of the Society's core technology).

Management

Board of Directors

The affairs of the Society are conducted and managed by a Board of Directors (the "Board") who are responsible for the Society's strategy and policy and are elected and serve in accordance with the Society's rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and in turn appoints and monitors executives who are responsible for the daily management of the Society.

The business address of the Society's Directors is at The Bailey, Skipton, North Yorkshire BD23 1DN. There are no potential conflicts between the duties to the Society of the Directors and their private interests and/or other duties. The members of the Board, their roles within the Society and their principal business occupation(s), as at the date of this Offering Circular, are as follows:

Director/ Date of Birth	Responsibility	Business Occupation	Date of Appointment
A P Bottomley (12/07/1965)	Distribution and Financial Services Director	Building Society Executive Director	01/01/2016
A J Burton (03/01/1959)	Non-Executive Director	Company Director	03/05/2016
J R Coates (26/09/1951)	Non-Executive Director	Company Director	27/03/2017
D P Cockrem (15/11/1962)	Non-Executive Director	Company Director	01/09/2015
I M Cornelius (11/02/1969)	Commercial Director	Building Society Executive Director	11/06/2012
D J Cutter (01/01/1962)	Group Chief Executive	Building Society Executive Director	01/01/2000
R D East (18/03/1960)	Chairman	Company Director	29/11/2011
D A Hall (09/11/1955)	Non-Executive Director	Company Director	27/03/2017
H L Jackson (23/08/1965)	Non-Executive Director	Company Director	24/10/2018
M J Lund (01/07/1957)	Non-Executive Director	Company Director	25/04/2016
R S D M Ndawula (24/02/1974)	Group Finance Director	Building Society Executive Director	23/02/2015
H C Stevenson (10/11/1960)	Non-Executive Director	Business Consultant	01/03/2013

Executive Committee

Whilst the Society's Board is responsible for strategy and policy, implementation of that policy and daily management of the Society's own business is delegated to the following senior executives who form the Society's Executive Committee:

Name	*Title*
D J Cutter	Group Chief Executive
R S D M Ndawula	Group Finance Director
A P Bottomley	Distribution and Financial Services Director
I M Cornelius	Commercial Director
L Davis	Chief Human Resources Officer
J Gibson	Chief Conduct Risk Officer and Secretary
A Nelson	Chief Financial Risk Officer
H Varney	Chief Operating Officer

The business address of the members of the Executive Committee is at The Bailey, Skipton, North Yorkshire BD23 1DN. There are no potential conflicts between the duties to the Society of the members of the Executive Committee and their private interests and/or other duties.

Board Audit Committee

The Audit Committee currently comprises Mr Coates (Chairman), Miss Burton, Mrs Cockrem, Mr Hall and Mr Lund; all of whom are independent Non-Executive Directors. The senior executives and management attend by invitation. The Board is satisfied that the composition of the Audit Committee includes Directors with recent, relevant financial experience to provide appropriate challenge to management.

The Audit Committee's primary responsibilities are:

- To keep under review the effectiveness of the Group's internal controls, including financial controls and risk management systems;
- To monitor the integrity of the Group's financial reporting process, specifically by reviewing, challenging and recommending the Group's annual and interim financial statements to the Board for approval, reviewing and approving any formal announcements relating to the Group's financial performance and reviewing and challenging, as necessary, the significant estimates and judgements in relation to the financial statements and reporting how these were addressed;
- To provide advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Group's strategy, business model and performance;
- To provide oversight of the external audit process by monitoring the relationship with the external auditor, agreeing their remuneration and terms of engagement, monitoring their performance, objectivity and independence, ensuring that the policy to provide non-audit services is appropriately applied and making recommendations to the Board on their appointment, re-appointment or removal;
- To review the effectiveness of the Internal Audit and Compliance Monitoring functions, approve their annual plans, review performance against these plans on a quarterly basis, review their material findings and instigate plans to remedy any shortcomings; and
- To report to the Board on how it has discharged its responsibilities.

Financial Position

Capital Base

The Group has a strong capital base and this is demonstrated by the following key ratios which are comfortably in excess of the minimum levels set by both the Society's Board and regulator:

	Group Ratio at	
	31 December 2018	*31 December 2017*
	(%)	*(%)*
Fully Loaded Prudential Group Core Common Equity Tier 1 ratio	32.9	33.2
Transitional Tier 1 Capital ratio[1]	33.8	34.3
Transitional Total Capital	33.8	34.3
Fully Loaded Leverage ratio	6.2	6.1

The Society's Permanent Interest Bearing Shares ("PIBS") are no longer included in Tier 1 as they fail to satisfy the CRD IV requirements. However £40 million of the Society's PIBS will continue to satisfy the criteria for Tier 2 capital and will therefore be phased into Tier 2.

As at 31 December, 2018 and 2017 the consolidated capital ratios of the Group (including the subscribed capital detailed above) were as follows:

	Group Position as at	
	31 December 2018	*31 December 2017*
	(%)	(%)
Gross capital ratio	7.42	7.64
Free capital ratio	6.23	6.44

The Group remains strongly capitalised and continues to manage capital to maintain a buffer over minimum regulatory ratios.

Gross capital represents the general reserve together with the fair value reserve, cash flow reserve, translation reserve, subscribed capital and non-controlling interests, as shown within the Group Statement of Financial Position.

Free capital represents gross capital and provisions for collective impairment losses on loans and advances to customers, less property, plant and equipment, investment properties and intangible assets.

Funding

The Society remains committed to its traditional retail funding base but also believes in developing operational funding capacity and flexibility through wholesale sources.

Skipton Group

	Group Position as at	
	31 December 2018	*31 December 2017*
	(£m)	(£m)
Share accounts	16,114	14,986
Amounts owed to credit institutions	1,878	1,483
Amounts owed to customers	1,690	1,805
Debt securities	1,420	666
Total	21,102	18,940

[1] The Tier 1 capital ratio is reported on a CRD IV transitional basis. On a transitional basis £40 million of PIBS are being phased out of Additional Tier 1 capital over the period to 2022. Under CRD IV end-point rules the PIBS are fully transitioned into Tier 2 capital. On an end-point basis our Tier 1 Capital ratio would be 32.9 per cent.

Note: The above balances include accrued interest.

As at 31 December 2018, wholesale funding balances amounted to £3,464 million (31 December 2017: £2,567 million), an increase of £897 million compared to the previous year. The Group's wholesale funding ratio at 31 December 2018 was 18.4 per cent. compared to 15.4 per cent. as at 31 December 2017.

Liquidity

Building societies are required to hold a significant proportion of their assets in a readily realisable form. The types of investment in which building societies can hold regulatory liquidity are prescribed by regulations made by the PRA. The Society complies with these regulations. The following table shows total Group liquid assets and includes assets constituting regulatory liquidity:

	Group Position as at	
	31 December 2018	*31 December 2017*
	(£m)	(£m)
Liquid assets (£m)	4,202	3,533
Liquid assets (% of shares and borrowings)	19.91	18.65

Risk Appetite

As a mutual organisation the Society's Board is charged with the protection of members' deposits and bases its risk appetite on avoiding strategies or business practices which would threaten members' interests.

The Board's risk appetite, *inter alia*, specifically addresses the maintenance of stakeholders' confidence, credit risk appetite, capital and liquidity adequacy, fair treatment of customers, the culture of the business and the operational control framework and is supported by a comprehensive range of metrics used to assess business performance and risk exposure against its risk appetite.

Group Risk Management Framework

Through the Board Risk Committee's approved risk management framework and governance structure, the Group has a formal mechanism for identifying and managing risks throughout the business. This framework is designed to deliver the corporate plan in line with the Board's overall risk appetite and is based upon the best practice 'three lines of defence' model which operates as follows:

- First line of defence, being line management within the business who, through the implementation of the organisation's risk framework, identifies, assesses and manages risk.

- Second line of defence, comprising independent risk functions (Operational, Credit and Market & Liquidity) and related independent compliance functions. These functions challenge, monitor, guide and support the business in managing its risk exposure. The risk framework includes the three sub-committees of the Board Risk Committee which are responsible for recommending and monitoring the Group's adherence to policy. The independent risk functions are represented on each of these sub-committees. The Board Risk Committee Chairman is responsible for maintaining the independence of the second line of defence to ensure there are no obstacles to its independent challenge of first line operations.

- Third line of defence, provided by Internal Audit, is designed to provide independent assurance to the Board (through the Board Audit Committee) of the adequacy and effectiveness of control systems operating within the first and second lines in identifying and managing risk.

Future Outlook

The outlook for the Society remains healthy, although it remains vigilant to any uncertainties regarding the economy, new regulatory requirements to strengthen the resilience of the UK finance sector and changes in consumer behaviours, in particular consumers' desire to engage with the Society via a number of channels of their choice.

The Society is confident that it remains well placed to capitalise upon the opportunities that lie ahead as well as manage the risks that arise.

Taxation

UK Taxation

*The comments below, which are of a general nature and are based on the Issuer's understanding of current UK law and published HM Revenue & Customs ("**HMRC**") practice (in each case as at the date of this Offering Circular), describe only the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of the Notes. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The comments relate to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons (such as dealers or persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position are strongly advised to consult their own professional advisers. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK. The comments assume that no security will be created for the benefit of the Notes and that there will be no substitution of Issuer.*

Payment of interest on the Notes

1. Payments of interest on the Senior Preferred Notes, Senior Non-Preferred and the Subordinated Notes may be made without deduction of or withholding for or on account of UK income tax provided that the relevant notes carry a right to interest and are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007 ("**ITA 2007**"). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Senior Preferred Notes, Senior Non-Preferred Notes and the Subordinated Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Senior Preferred Notes, Senior Non-Preferred Notes and the Subordinated Notes respectively will be payable without deduction of or withholding for or on account of UK income tax.

2. In other cases, if the Notes are capable of being listed on a "recognised stock exchange" at the time the interest on the Notes becomes payable, an amount must generally be withheld from payments of interest on the Notes on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions or reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

3. *Further UK Income Tax Issues*

   Interest on the Notes that constitutes UK source income for UK tax purposes and may, as such, be subject to UK income tax by direct assessment even where paid without deduction of or withholding for or on account of UK income tax.

   However, interest with a UK source received without deduction of or withholding for or on account of UK income tax will not be chargeable to UK tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the UK unless that Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the UK

through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "Terms and Conditions—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 Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Subscription and Sale

The Dealers have, in an amended and restated programme agreement dated 17 July 2019 (such programme agreement as further modified and/or supplemented and/or restated from time to time being the "**Programme Agreement**") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling Restrictions

United States

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

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is 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 will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, 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 except in accordance with Regulation S of the Securities Act. 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.

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

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

UK

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

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

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

Belgium

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.

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 Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Applicable Final Terms

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

[**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**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**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 PRIIPs Regulation.] [2]

[[3]**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [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.]

[Date]

SKIPTON BUILDING SOCIETY

Legal entity identifier (LEI): 66AGRETLUXS4YO5MUH35

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £2,000,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 17 July 2019 [and the supplement[s] to it dated [*date*] and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*] [and the supplement[s] to it dated [*date*] and [*date*]] which are incorporated by reference in the Offering Circular dated 17 July 2019.

[2] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[3] Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 17 July 2019 [and the supplement[s] to it dated [*date*] and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Re London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

1.	Issuer:		Skipton Building Society
2.	Status of the Notes:		[Senior Preferred/Senior Non-Preferred/ Subordinated]
	(a)	[Senior Non-Preferred Notes: No Set-Off:	[Applicable/Not Applicable]]
	(b)	[Senior Non-Preferred Notes: Restricted Events of Default:	[Applicable/Not Applicable]]
	(c)	[Senior Non-Preferred Notes: Gross-up of principal	[Applicable/Not Applicable]]
3.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about [ ]][Not Applicable]
4.	Specified Currency or Currencies:		[ ]
5.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
6.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ] (if applicable)]
7.	(a)	Specified Denominations:	[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Notes in definitive form will be issued with a denomination above [ ]]
	(b)	Calculation Amount	[ ]
8.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[/Issue Date/Not Applicable]
9.	Maturity Date:		[ ]
10.	Interest Basis:		[[ ] per cent. Fixed Rate] [Reset Notes] [[[ ] month SONIA/LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
11.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the

		Maturity Date at [ ] per cent. of their nominal amount
12.	Change of Interest Basis:	[[ ] [Not Applicable]
13.	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable] [(further particulars specified below)]
14.	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date]
	(c)	Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(d)	Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/or] [ ] [Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year] [Not Applicable]
16.	Reset Note Provisions:		[Applicable/Not Applicable]
	(a)	Initial Rate of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date]
	(b)	First Margin:	[+/-][ ] per cent. per annum
	(c)	Subsequent Margin:	[[+/-][ ] per cent. per annum] [Not Applicable]
	(d)	Interest Payment Date(s):	[[ ] [and [ ]] in each year up to and including the Maturity Date
	(e)	Fixed Coupon Amount to (but excluding) the First Reset Date:	[ ] per Calculation Amount
	(f)	Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(g)	Reset Reference Rate:	[Mid-Swaps/Reference Bond]
	(h)	First Reset Date:	[ ]
	(i)	Second Reset Date:	[ ]/[Not Applicable]
	(j)	Subsequent Reset Date(s):	[ ] [and [ ]] [Not Applicable]
	(k)	Relevant Screen Page:	[ ]
	(l)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(m)	Mid-Swap Maturity:	[ ]
	(n)	Reference Bond Reset Rate Time:	[ ]

	(o)	Fixed Leg Swap Duration:	[ ]
	(p)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(q)	Reset Determination Date(s):	[[ ] in each year][Not Applicable]
	(r)	Business Centre(s):	[ ]
	(s)	Calculation Agent:	[ ]
17.	Floating Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [,subject to adjustment in accordance with the Business Day Convention set out in (b) below/not subject to adjustment, as the Business Day Convention in (b) is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ] (the "**Calculation Agent**")
	(f)	Screen Rate Determination:	[Applicable/Not Applicable]
		• Reference Rate:	[ ] month [SONIA/LIBOR/EURIBOR]
		• Interest Determination Date(s):	[ ]
		• Relevant Screen Page:	[ ]
		• For the purposes of the definition of "Observation Period", "p" means:	[[●] London Banking Days]/[Not Applicable] (*The number of London Banking Days for the purposes of the definition of "Observation Period" should be no less than five London Banking Days*)
	(g)	ISDA Determination:	[Applicable/Not Applicable]
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ]
	(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
	(i)	Margin(s):	[+/-][ ] per cent. per annum [Applicable/Not Applicable]
	(j)	Minimum Rate of Interest:	[ ] per cent. per annum [Applicable/Not Applicable]
	(k)	Maximum Rate of Interest:	[ ] per cent. per annum [Applicable/Not Applicable]
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual]

			[Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360][Bond Basis] [30E/360] [Eurobond Basis] /[30E/360 (ISDA)]
18.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[360/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

19.	Notice periods for Condition 7(b) (*Redemption and Purchase - Redemption for Tax Reasons*):		Minimum period: [30] days Maximum period: [60] days
20.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [15] days Maximum period: [30] days
21.	Regulatory Event (Subordinated Notes only):		[Full Exclusion / Full or Partial Exclusion / Not Applicable]
22.	Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption:		[Applicable/Not Applicable]
	(a)	Loss Absorption Disqualification Event:	[Full Exclusion/Full or Partial Exclusion/Not Applicable]
	(b)	Loss Absorption Disqualification Event Redemption Price:	[[●] per cent.]
	(c)	Senior Non-Preferred Notes: Substitution and Variation:	[Applicable/Not Applicable]
23.	Investor Put:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption:	[ ] per Calculation Amount
	(c)	Notice period:	Minimum period: [15] days Maximum period: [30] days

24.	Final Redemption Amount:	[ ] per Calculation Amount
25.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	(a)	Form of Notes:	[Bearer Notes /Registered Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
	(b)	New Global Note:	[Yes] [No]
27.		Additional Financial Centre(s):	[Not Applicable/]
28.		Talons for future Coupons to be attached to Definitive Notes:	[Yes. As the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

THIRD PARTY INFORMATION

[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

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 London Stock Exchange's Regulated Market and, , listing on the Official List of the FCA 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 London Stock Exchange's Regulated Market and listing on the Official List of the FCA with effect from [ ].]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued [[have been]/[are expected to be]/[have not been]] rated]/[The following ratings reflect the ratings assigned to Notes of this type issued under the Programme generally]: [Moody's Investor Services Limited: [ ]] [Fitch Ratings Limited: [ ]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

4. YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price [for the period from the Issue Date until the First Reset Date]. It is not an indication of future yield.

5. HISTORIC INTEREST RATES

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

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[*include code*][4], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the

[4] The actual code should only be included where the issuer is comfortable that it is correct.

		responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN:	[[See/[[*include code*][5], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/[ ]]
(vi)	Names and addresses of additional [ ] Paying Agent(s) (if any):	
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7. DISTRIBUTION

(i)	U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]
(ii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]

[5] The actual code should only be included where the issuer is comfortable that it is correct.

General Information

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 30 October 2018, of the Board Risk Committee dated 29 October 2018 and 28 May 2019 and of a Sub Committee of the Board Risk Committee dated 4 July 2019.

Listing

Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of each Tranche of Notes on the Official List will be expressed as a percentage of their principal amount (excluding accrued interest). It is expected that any tranche of Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes intended to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be so admitted to listing and trading separately, as and when issued, subject to the issue of the relevant Notes.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the principal office of the Issuer and from the specified office of the Paying Agent for the time being in London.

(i) the Rules and the Memorandum of the Issuer;

(ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2018 and 2017, in each case together with the audit reports prepared in connection therewith (the Issuer currently prepares audited consolidated accounts on an annual basis);

(iii) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith (the Issuer currently prepares unaudited consolidated interim accounts on a semi-annual basis);

(iv) the Agency Agreement, the Trust Deed (which contains the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons) and the Issuer ICSDs Agreement;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements, Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of Notes admitted to trading on the London Stock Exchange's Regulated Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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

Conditions for determining price

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

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer's Group since 31 December 2018 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2018.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer and/or the Group.

Auditors

KPMG LLP, Chartered Accountants, have audited and rendered unqualified audit reports on the accounts of the Issuer for each of the two financial years ended 31 December 2017 and 31 December 2018. The auditors of the Issuer have no material interest in the Issuer.

The Trust Deed provides that any certificate or report of the auditors of the Issuer or any other expert called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the auditors of the Issuer or such other expert in respect thereof contains a monetary or other limit on the liability of the auditors of the Issuer or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may also enter into swap and derivative transactions with the Issuer and its affiliates and/or in relation to Notes issued under the Programme.

REGISTERED AND HEAD OFFICE OF THE SOCIETY

The Bailey
Skipton
North Yorkshire BD23 1DN

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

TRUSTEE

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2- 4 Rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS

To the Issuer

gunnercooke llp
1 Cornhill
London EC3V 3ND

To the Dealers and the Trustee

Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITORS

KPMG LLP
No. 1 The Embankment
Neville Street
Leeds
West Yorkshire LS1 4DW

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

BNP Paribas
10 Harewood Avenue
London NW1 6AA

HSBC Bank plc
8 Canada Square
London E14 5HQ

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

Lloyds Bank Corporate Markets plc
10 Gresham Street
London EC2V 7AE

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA

Société Générale
29, boulevard Haussmann
75009 Paris
France