

CYBG PLC

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1 July 2019

Publication of Base Prospectus

The following base prospectus has been approved by the UK Listing Authority and is available for viewing:

Base Prospectus dated 1 July 2019 for the CYBG PLC and Clydesdale Bank PLC £10,000,000,000 Global Medium Term Note Programme.

Please read the disclaimer below “*Disclaimer — Intended Addressees*” before attempting to access this service, as your right to do so is conditional upon complying with the requirements set out below.

The full document is attached.

A copy of the above document has been submitted to the National Storage Mechanism and will shortly be available for inspection at: <http://www.morningstar.co.uk/uk/NSM>.

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DISCLAIMER - INTENDED ADDRESSEES

IMPORTANT: You must read the following before continuing: The following applies to the Base Prospectus available by clicking on the link above, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS PROHIBITED. FAILURE TO COMPLY WITH THIS NOTICE MAY

RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC PUBLICATION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTES ISSUED OR TO BE ISSUED PURSUANT TO THE BASE PROSPECTUS RELATING TO THE CYBG PLC £10,000,000,000 GLOBAL MEDIUM TERM NOTE PROGRAMME (THE “**BASE PROSPECTUS**”) 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. ANY NOTES ISSUED OR TO BE ISSUED PURSUANT TO THE BASE PROSPECTUS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS (EACH A “**QIB**”) WITHIN THE MEANING OF RULE 144A OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Please note that the information contained in the Base Prospectus may be addressed to and/or targeted at persons who are residents of particular countries (specified in the Base Prospectus) only and is not intended for use and should not be relied upon by any person outside these countries and/or to whom the offer contained in the Base Prospectus is not addressed. Prior to relying on the information contained in the Base Prospectus you must ascertain from the Base Prospectus whether or not you are part of the intended addressees of the information contained therein.

Confirmation of your Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to any Notes issued or to be issued pursuant to the Base Prospectus, you must be (A) a person other than a U.S. person (within the meaning of Regulation S under the Securities Act); or (B) a QIB that is acquiring the securities for its own account or for the account of another QIB. By accessing the Base Prospectus, you shall be deemed to have represented that you and any customers you represent are not a U.S. person (as defined in Regulation S to the Securities Act) or that you are a QIB, and that you consent to delivery of the Base Prospectus and any supplements thereto via electronic publication.

You are reminded that the Base Prospectus has been made available to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

The Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of CYBG PLC in such jurisdiction. Under no circumstances shall the Base Prospectus constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of any Notes issued or to be issued pursuant to the Base Prospectus, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of CYBG PLC, its advisers or any person who controls CYBG PLC or any director, officer, employee or agent of CYBG PLC or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus made available to you in electronic format and the hard copy version available to you on request from CYBG PLC.



CYBG PLC

(incorporated with limited liability in England and Wales)

CLYDESDALE BANK PLC

(incorporated with limited liability in Scotland)

£10,000,000,000

Global Medium Term Note Programme

Any notes ("**Notes**") issued pursuant to this base prospectus (the "**Base Prospectus**") under the Global Medium Term Note Programme (the "**Programme**") on or after the date of this Base Prospectus are issued subject to the provisions described herein. Under the Programme, CYBG PLC (the "**Company**").

and Clydesdale Bank PLC (the "**Bank**" and, together with the Company, the "**Issuers**" and each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes. The aggregate principal amount of Notes outstanding under the Programme will not at any time exceed £10,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") as a base prospectus issued in compliance with Directive 2003/71/EC, as amended or superseded and relevant implementing measures in the United Kingdom (the "**Prospectus Directive**") for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. This Base Prospectus comprises a base prospectus for the purpose of Article 5.4 of the Prospectus Directive. Applications have been made for such Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA (the "**Official List**") and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"). The regulated market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**"), on markets in financial instruments (the "**Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall, unless the context otherwise requires, mean that such Notes have been admitted to the Official List and admitted to trading on the Market.

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

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

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

Arranger

Morgan Stanley

Dealers

Barclays

BofA Merrill Lynch

Citigroup

Credit Suisse

Lloyds Bank Corporate Markets

Morgan Stanley

NatWest Markets

IMPORTANT NOTICES

Responsibility for this Base Prospectus

Each of the Issuers accepts responsibility for the information contained in this Base Prospectus and the relevant Final Terms (as defined below) for each tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus (or the relevant Final Terms as the case may be) is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

The Notes

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

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

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

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

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

Other relevant information

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

Each of the Issuers has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information with regard to it and its subsidiaries which is (in the context of the Programme or the issue, offering and sale of the Notes) material, that such information is true and accurate in all material respects and not misleading and does not omit to state any other fact required (in the context of the Programme or the issue, offering and sale of the Notes) to be stated therein or the omission of which would make any information contained herein misleading in any material respect and all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information.

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

Unauthorised Information

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

None of the Dealers, the Arranger, or any of their respective affiliates, the Trustee or the Agents has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuers since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers, the Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Trustee or the Agents. Investors should review, *inter*

alia, the most recent published financial statements of the relevant Issuer when evaluating the Notes.

Restrictions on distribution

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

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

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

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

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

- (A) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (B) a customer within the meaning of the Insurance Mediation Directive 2002/92/EC, as amended or superseded (the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "**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/Target Market" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

Benchmark Regulation

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

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

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

- (A) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (B) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (C) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

- (D) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (E) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Programme limit

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

Definitions

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

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

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

Ratings

As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Company by Fitch Ratings Limited ("**Fitch**") was BBB+, the long-term Issuer Credit Rating assigned to the Company by S&P Global Ratings Limited ("**S&P**") was BBB- and the Long-Term Issuer rating assigned to the Company by Moody's Investors Service Limited ("**Moody's**") was Baa3. In addition, the long-term Issuer Default Rating assigned to the Bank by Fitch was A-, the long-term Issuer Credit Rating assigned to the Bank by S&P was BBB+. Fitch, S&P and Moody's are established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of S&P, Fitch and Moody's is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

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

relevant Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (A) issued by a credit rating agency established in the EEA and registered under the CRA Regulation; (B) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation; or (C) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the relevant Final Terms.

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

Stabilisation

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

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Company is duly incorporated as a public limited company incorporated under the laws of England and Wales and the Bank is duly incorporated as a public limited company incorporated under the laws of Scotland. Each of the Issuer's respective directors and executive officers are non-residents of the United States. All or a substantial portion of the respective assets of the Company and the Bank and of their respective directors and officers are located outside the United States. As a result, it may not be possible for an investor to effect service of process within the United States upon those persons or to enforce against them judgements of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States.

SUPPLEMENTAL BASE PROSPECTUS

If at any time either of the Issuers shall be required to prepare a supplement to the Base Prospectus pursuant to Section 87 of the FSMA, or to give effect to the provisions of Article 16(1) of the Prospectus Directive, such Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental base prospectus as required by the FCA and Section 87 of the FSMA.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Base Prospectus include forward-looking statements which reflect the Issuers' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the business of the Company and its subsidiaries taken as a whole (the "**Group**")). These forward-looking statements relate to the Group and the sectors and industries in which the Group operate. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "estimates", "will", "targets", "aims", "may", "should", "would", "could", "continue", "budget", "schedule" and similar statements of a future or forward-looking nature identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuers, are inherently subject to significant business, economic and competitive uncertainties and contingencies. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results or industry results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this Base Prospectus.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Base Prospectus speak only as of the date of this Base Prospectus, reflect the Issuers' current beliefs with respect to future events and are subject to risk relating to future events and other risks, uncertainties and assumptions relating to the Group's, operations, results of operations, growth strategy, capital and leverage ratios and liquidity. Investors should specifically consider the factors identified in this Base Prospectus which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Base Prospectus, including the documents incorporated by reference herein, are qualified by these cautionary statements. Specific reference is made to "*Risk Factors*" and "*Information on the Group*".

Subject to any obligations under the rules published by the FCA under Section 73A of the FSMA, the rules and regulations made by the FCA under Part VI of FSMA and/or the disclosure and transparency rules produced by the FCA and forming part of the handbook of the FCA, as amended from time to time, neither of the Issuers undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, events or circumstances or otherwise. All subsequent written and oral forward-looking statements attributable to the Group, or individuals acting on behalf of the Group are expressly qualified in their entirety by this section.

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

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

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INFORMATION INCORPORATED BY REFERENCE

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

- (A) the unaudited consolidated financial statements and the independent auditor's review report of the Company in respect of the six months ended 31 March 2019 set out on pages 42 to 79 (inclusive) of the Company's 2019 Interim Financial Report (the "**2019 Interim Financial Report**") and the glossary set out on pages 80 to 83 (inclusive) of the 2019 Interim Financial Report;
- (B) all text and tables in the "*Overview of Group results - Statutory basis*" section set out on pages 5 to 6 (inclusive) of the 2019 Interim Financial Report;
- (C) all text and tables on pages 28 to 36 (inclusive) of the "*Financial Risk*" section in the Risk Management section of the 2019 Interim Financial Report but excluding the column entitled "*Pro forma - 30 Sep 2018*" found in the "*Capital position and CET1 (unaudited)*" table on page 32;
- (D) the audited consolidated financial statements and the independent auditor's audit report of the Company in respect of the year ended 30 September 2018 and glossary set out on pages 172 to 254 (inclusive) of the Company's 2018 Annual Report and Accounts (the "**2018 Company Audited Financial Statements**");
- (E) the following information set out on pages 36 to 254 of the Annual Report of the Company containing the 2018 Company Audited Financial Statements (the "**2018 Annual Report**"):
 - (1) the following financial performance measures: (i) net interest margin (NIM), (ii) underlying return on tangible equity (RoTE), (iii) underlying cost to income ratio (CIR), and (iv) impairment charge to average customer loans (cost of risk), as set out on page 36 and pages 246 to 247;
 - (2) the reconciliation of statutory to underlying results on pages 42 and 43 and the reconciliation of gross cost of risk and net cost of risk on page 40;
 - (3) the table on page 131 entitled "*Key Credit Metrics (audited)*";
 - (4) the table on page 132 entitled "*Maximum exposure to credit risk (audited)*";
 - (5) the table on page 134 entitled "*Gross loans and advances to customers including loans designated at fair value through profit or loss (audited)*";
 - (6) the table on page 134 entitled "*Contingent liabilities and credit-related commitments (audited)*";
 - (7) the table on page 135 entitled "*Distribution of loans and advances to customers by credit quality (audited)*";
 - (8) the two tables on page 136 under the heading "*Loans and advances which were past due but not impaired*";
 - (9) the two tables on page 136 under the heading "*Movement in impairment provisions throughout the year*";
 - (10) the table on page 137 entitled "*LTV (audited)*";
 - (11) the two tables on page 138 under the heading "*Non-property related collateral*";
 - (12) the table on page 138 entitled "*Retail secured credit by loan size concentration (audited)*";
 - (13) the table on page 140 entitled "*As at 30 September 2018 (audited)*";

- (14) the table on page 140 entitled "*As at 30 September 2017 (audited)*";
 - (15) the table on page 142 under the heading "*SME forbearance*" titled "*As at 30 September 2018 (audited)*";
 - (16) the table on page 142 under the heading "*SME forbearance*" titled "*As at 30 September 2017 (audited)*";
 - (17) the table on page 142 entitled "*Maximum exposure to credit risk (audited)*";
 - (18) the table on page 143 under the heading "*Offsetting of financial assets and liabilities*" entitled "*2018 (audited)*";
 - (19) the table on page 143 under the heading "*Offsetting of financial assets and liabilities*" entitled "*2017 (audited)*";
 - (20) the table on page 153 entitled "*Sources of funding (audited)*";
 - (21) the table on page 154 entitled "*Liquid asset portfolio*";
 - (22) the two tables on page 155 entitled "*Encumbered assets by asset category (audited)*";
 - (23) the two tables on pages 156 to 157 under the heading "*Assets and liabilities by maturity*";
 - (24) the two tables on page 158 under the heading "*Cash flows payable under financial liabilities by contractual maturity*";
 - (25) the two tables on page 160 under the heading "*Interest rate risk (audited)*";
 - (26) the two tables on page 161 under the heading "*Principal financial assets and liabilities*"; and
 - (27) the two tables on pages 162 to 163 entitled "*Repricing periods of assets and liabilities by asset/liability category*".
- (F) the audited consolidated financial statements and the independent auditor's audit report of the Company in respect of the year ended 30 September 2017 set out on pages 178 to 259 (inclusive) of the Company's 2017 Annual Report and Accounts (the "**2017 Company Audited Financial Statements**)");
- (G) the following information set out on pages 39 to 251 of the Annual Report of the Company containing the 2017 Company Audited Financial Statements (the "**2017 Annual Report**"):
- (1) the following financial performance measures: (i) net interest margin (NIM), (ii) underlying return on tangible equity (RoTE), (iii) underlying cost to income ratio (CIR), and (iv) impairment charge to average customer loans (cost of risk), as set out on pages 39 to 40 and 250 to 252;
 - (2) the reconciliation of statutory to underlying results on pages 47 and 48 and the reconciliation of gross cost of risk and net cost of risk on page 45;
 - (3) the table on page 139 entitled "*Key Credit Metrics (audited)*";
 - (4) the table on page 140 entitled "*Maximum exposure to credit risk (audited)*";
 - (5) the table on page 142 entitled "*Loans and advances to customers (audited)*";
 - (6) the table on page 142 entitled "*Retail secured credit by loan size concentration (audited)*";

- (7) the table on page 143 entitled "*Gross loans and advances to customers including loans designated at fair value through profit or loss (audited)*";
 - (8) the table on page 143 entitled "*Contingent liabilities and credit-related commitments (audited)*";
 - (9) the table on page 145 entitled "*LTV (audited)*";
 - (10) the two tables on page 146 under the heading "*Non-property related collateral*";
 - (11) the table on page 148 entitled "*As at 30 September 2017 (audited)*";
 - (12) the table on page 148 entitled "*As at 30 September 2016 (audited)*";
 - (13) the table on page 149 under the heading "*SME forbearance*" titled "*As at 30 September 2017 (audited)*";
 - (14) the table on page 149 under the heading "*SME forbearance*" titled "*As at 30 September 2016 (audited)*";
 - (15) the table on page 150 entitled "*Distribution of loans and advances to customers by credit quality (audited)*";
 - (16) the two tables on pages 150 to 151 under the heading "*Loans and advances which were past due but not impaired*";
 - (17) the two tables on page 151 under the heading "*Movement in impairment provisions throughout the year*";
 - (18) the table on page 152 entitled "*Maximum exposure to credit risk (audited)*";
 - (19) the table on page 153 entitled "*2017 (audited)*";
 - (20) the table on page 153 entitled "*2016 (audited)*";
 - (21) the table on page 162 entitled "*Sources of funding (audited)*";
 - (22) the table on page 163 entitled "*Liquid asset portfolio*";
 - (23) the two tables on page 164 entitled "*Encumbered assets by asset category (audited)*";
 - (24) the two tables on pages 165 to 166 under the heading "*Assets and liabilities by maturity*";
 - (25) the two tables on page 167 under the heading "*Cash flows payable under financial liabilities by contractual maturity*";
 - (26) the table on page 169 entitled "*Interest rate risk (audited)*";
 - (27) the two tables on page 169 under the heading "*Principal financial assets and liabilities*"; and
 - (28) the two tables on page 170 entitled "*Repricing periods of assets and liabilities by asset/liability category*".
- (H) the audited consolidated financial statements and the independent auditor's audit report of the Bank in respect of the year ended 30 September 2018 and glossary set out on pages 67 to 155 (inclusive) of the Bank's 2018 Annual Report and Accounts (the "**2018 Bank Audited Financial Statements**"); and
- (I) the audited consolidated financial statements and the independent auditor's audit report of the Bank in respect of the year ended 30 September 2017 and glossary set out on

pages 61 to 154 (inclusive) of the Bank's 2017 Annual Report and Accounts (the "**2017 Bank Audited Financial Statements**").

The above documents may be inspected as described in paragraph 6 of "*General Information*" herein.

The documents listed above are available at <http://www.cybg.com/investor-centre/>. Any information incorporated by reference in the documents specified above does not form part of this Base Prospectus, except where such information is specifically incorporated by reference into this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant for prospective investors for the purposes of Article 5(1) of the Prospectus Directive or is covered elsewhere in this Base Prospectus. Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Each of the Company and the Bank have applied International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and as adopted by the EU in the audited financial statements incorporated by reference above. The Company and the Bank have applied International Accounting Standards ("**IAS**") as issued by the International Accounting Standards Board in the unaudited interim financial statements incorporated by reference above. A summary of the significant accounting policies for the Company is included in the 2018 Company Audited Financial Statements and a summary of the significant accounting policies for the Bank is included in the 2018 Bank Audited Financial Statements.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated in this Base Prospectus, financial information in relation to the Group referred to in this Base Prospectus has been extracted or derived without material adjustment from the 2019 Interim Financial Report, 2018 Company Audited Financial Statements, 2017 Company Audited Financial Statements, 2018 Bank Audited Financial Statements, 2017 Bank Audited Financial Statements or has been extracted or derived from those of the Group's accounting records and its financial reporting and management systems that have been used to prepare that financial information. Investors should ensure that they read the whole of this Base Prospectus, including the information incorporated by reference herein, and not only rely on the key information or information summarised within it.

Where information has been extracted from the audited financial statements of the Group, the information is described as audited unless otherwise stated. Where information has been extracted from the unaudited interim financial statements of the Group, the information is described as unaudited unless otherwise stated.

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures ("**APMs**") are included or referred to in this Base Prospectus (including in the information incorporated by reference). APMs are non-IFRS measures used to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuers consider that these APMs provide useful information to enhance the understanding of their financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of the components and calculation method of each such APM relating to the Company can be found at pages 246 to 247 (inclusive) of the 2018 Annual Report of the Company containing the 2018 Company Audited Financial Statements and an explanation of the components and calculation method of each such APM relating to the Bank can be found on page 147 of the 2018 Annual Report of the Bank containing the 2018 Bank Audited Financial Statements (both of which are also incorporated by reference).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

OVERVIEW OF THE PROGRAMME

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

Issuers:	<p>CYBG PLC and Clydesdale Bank PLC</p> <p>On 19 June 2019, the Company announced its intention to change its name from CYBG PLC to Virgin Money UK PLC by the end of 2019</p>
Issuer Legal Entity Identifiers (LEI):	<p>CYBG PLC: 213800ZK9VGCYYR6O495</p> <p>Clydesdale Bank PLC: NHXOBHMY8K53VRC7MZ54</p>
Arranger:	Morgan Stanley & Co. International plc
Dealers:	<p>Barclays Bank PLC</p> <p>Citigroup Global Markets Limited</p> <p>Credit Suisse Securities (Europe) Limited</p> <p>Lloyds Bank Corporate Markets plc</p> <p>Merrill Lynch International</p> <p>Morgan Stanley & Co. International plc</p> <p>NatWest Markets Plc</p> <p>and any other Dealer appointed from time to time by the Issuers either generally in respect of the Programme or by any of the Issuers in relation to a particular Tranche of Notes.</p>
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent, Calculation Agent and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG
Admission to Listing and Trading:	Applications have been made for Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA and to trading on the Market.
Clearing Systems:	<p>For Registered Notes represented by a Restricted Global Certificate: Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg") and/or The Depository Trust Company ("DTC").</p> <p>For Notes other than Registered Notes represented by a Restricted Global Certificate: Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of such Notes, any other clearing system as may be specified in the relevant Final Terms.</p>

Programme Amount:	Up to £10,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Issuance in Series:	Notes will be issued in series (each a " Series "). Each Series may comprise one or more tranches (each a " Tranche ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Final Terms or Prospectus:	Each Tranche of Notes will be issued on the terms set out in the Conditions as completed by the relevant Final Terms or Drawdown Prospectus.
Forms of Notes:	Notes may be issued in bearer form or in registered form.

Bearer Notes

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

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

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

Registered Notes

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

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

Currencies:

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

Status of the Senior Notes:

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

Status of the Tier 2 Capital Notes:

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

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

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

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

Specified Denominations: The Notes may be issued in such denominations as may be specified in the relevant Final Terms, save that no Notes may be issued under the Programme which have a denomination of less than €100,000 (or its equivalent in any other currency at the relevant Issue Date).

Maturities: Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes issued by the Company having a maturity of less than one year must (A) have a minimum redemption value of £100,000 (or the equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (B) be issued in other circumstances

which do not constitute a contravention of Section 19 of the FSMA by the Company.

Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate, a resetting rate or a floating rate (or a fixed/floating rate or floating/fixed rate).
Fixed Rate Notes:	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Reset Notes:	Reset Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-swap rate for the relevant Specified Currency or a benchmark gilt rate, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none">(A) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or(B) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service, <p>in any such case as adjusted for any applicable margin specified in the relevant Final Terms.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.</p>
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount to their principal amount and will not bear interest.
Redemption:	Unless previously redeemed or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.
Optional Redemption:	Notes may be redeemed before the Maturity Date at the option of the relevant Issuer (as described in Condition 9(B) (<i>Redemption at the option of the Issuers</i>)), to the extent (if at all) specified in the relevant Final Terms, subject to obtaining the Competent Authority's and/or the Resolution Authority's prior permission for redemption (if,

and to the extent, such permission is then required by the Capital Regulations) and complying with certain pre-conditions (see Condition 9(L) (*Restriction on Early Redemption or Repurchase of the Notes*)).

To the extent (if at all) specified in the relevant Final Terms, Senior Notes may be redeemed before the Maturity Date at the option of the Noteholders (as described in Condition 9(F) (*Redemption at the option of Noteholders*)).

Early Redemption:

Except as described in "*Optional Redemption*" above, early redemption will only be permitted (A) for tax reasons, as described in Condition 9(C) (*Redemption for Tax Event*); (B) in the case of Tier 2 Capital Notes, for regulatory reasons, as described in Condition 9(D) (*Redemption for Regulatory Event*); and (C), in the case of Senior Notes (if so specified in the relevant Final Terms) if the Notes are fully or (if so specified in the relevant Final Terms) partially excluded from the Issuer's and/or the Group's minimum requirements for (1) own funds and eligible liabilities and/or (2) loss absorbing capacity instruments, as described in Condition 9(E) (*Redemption for Loss Absorption Disqualification Event*), in each case subject to obtaining the Competent Authority's and/or the Resolution Authority's prior permission for redemption (if, and to the extent, such permission is then required by the Capital Regulations) and complying with certain pre-conditions (see Condition 9(L) (*Restriction on Early Redemption or Repurchase of the Notes*)).

Negative Pledge:

None.

Cross Default:

None.

Taxation:

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the relevant Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the relevant Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 12 (*Taxation*).

Substitution:

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

Governing Law:

English Law.

Ratings:

As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Company by Fitch was BBB+, the long-term Issuer Credit Rating assigned to the Company by S&P was BBB- and the long-term Issuer Rating assigned to the Company by Moody's was Baa3. In addition, the long-term Issuer Default Rating assigned to the Bank by Fitch was A- and the Issuer Credit Rating assigned to the Bank by S&P was BBB+. Fitch, S&P and Moody's are established in the EEA and registered under the CRA Regulation.

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

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

Selling Restrictions:

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

RISK FACTORS

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

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

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

1. RISKS RELATING TO THE GROUP

1.1 The Group is subject to risks arising from macro-economic conditions in the UK or globally

The Group's business is subject to inherent risks arising from macro-economic conditions in the UK. In particular, levels of retail and small and medium-sized enterprise ("**SME**") borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, employment trends, the level of inflation, market interest rates and the broader state of the UK economy.

The evolution of the geo-political environment can also be expected to have a material impact on business performance with ongoing uncertainties around the potential impacts of the UK's withdrawal from the European Union (see "*Risk Factors — Risks relating to the Group — Risks in relation to the UK's vote to leave the EU*") and the associated impacts on the leadership of the country. The above will affect the future performance of the UK economy and subsequently the banking industry. The extent to which any individual event or a combination of these events will have an impact on the performance of the economy will evolve over the medium term.

As the Group's customer base is predominantly based in the UK, it will be significantly exposed to the condition of the UK economy. In particular, factors such as UK house prices, levels of employment, interest rates and change in consumers' disposable income can each have a material impact on a customer's business. Should macro-economic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely impact the Group's business, results of operations, financial condition and prospects.

The Group's operations are focussed in its core regions in the UK, including Scotland. These operations could be adversely affected by a lack of legal harmonisation across the UK, including through the further devolution of powers to the Scottish Parliament. For example, differences in regulatory regimes or differing tax legislation between Scotland and England may result in additional compliance and other costs for the Group or adversely impact the financial performance and prospects of its customers. Another referendum on Scottish independence which results in Scotland leaving the UK would exacerbate these issues and impact the Group's associated costs, business, results of operations, financial condition and prospects.

In addition, changes in global economic conditions or circumstances (in particular in the Eurozone) may have secondary consequences that adversely impact the Group's results

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

In addition, volatility in credit, currency and equity markets globally may result in uncertainty that could affect all banks, including the Group. Market volatility during the global financial crisis led to, and may in the future lead to, the following (amongst other factors):

- (a) increased cost of funding and/or reduced availability of funding;
- (b) deterioration in the value and liquidity of assets (including collateral);
- (c) inability to price or difficulty in pricing certain assets;
- (d) higher provisions for bad and doubtful debts;
- (e) an increased likelihood of customer and counterparty default and credit losses;
- (f) mark to market losses in the value of assets and liabilities;
- (g) economic exposures from hedging activities;
- (h) increased cost of insurance and/or lack of available insurance; and
- (i) lower growth, business revenues and earnings.

The historical results of operations and financial condition of the Group have been, and future results of operations and financial condition are likely to continue to be, affected by these factors, which should they have an adverse effect on consumer confidence, spending or demand for credit, could have a material adverse effect on the Group's business, capital position, financial condition, results of operations and prospects.

1.2 **The Group will be subject to risks related to volatility in UK house prices**

The Group's primary activity is providing banking services to retail customers and to micro businesses and SMEs, including mortgage lending in the UK secured against residential property. The value of that security is influenced by UK house prices. A substantial proportion of the Group's net interest income is derived from interest paid on its mortgage portfolio. As at 31 March 2019, 83 per cent. of the Group's customer loans by value were mortgages (both owner-occupied and buy-to-let). Any deterioration in the quality of the Group's mortgage portfolio could have a material adverse effect on its business, financial condition, results of operations and prospects.

Historically, downturns in the UK economy have had a negative effect on the UK housing market. A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults. Increased defaults could lead to higher impairment provisions and losses being incurred by the Group. Higher impairment provisions could reduce its capital and its ability to engage in lending and other income-generating activities. As a result, a decline in house prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, a significant increase in house prices could have a negative impact on the Group by reducing the affordability of homes for first-time buyers or those looking to purchase more expensive properties and, if such increases were to result in a decrease in the number of customers that could afford to purchase houses, a reduction in demand for new mortgages. Sustained volatility in UK house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Group's ability to grow its mortgage portfolio in the UK.

The UK Government's intervention into the housing market over the past few years, both directly through its "Help to Buy" programme and indirectly through the provision of liquidity to the banking sector under the "Funding for Lending" scheme ("**FLS**") and the "Term Funding Scheme" ("**TFS**"), may also contribute to volatility in house prices. Whilst it is not possible to confirm a direct link between the TFS, bank lending and mortgage rates, the rates offered by UK banks fell following the introduction of the TFS, which ran until February 2018 and the closure of the TFS may impact lending and therefore house prices. Similarly, as the TFS reaches its final maturity in 2022, UK banks will have to replace these funds from other sources which may be at a higher cost, which could lead to lower lending and/or higher mortgage interest rates and which could also contribute to volatility in house prices. This could occur, for example, as a result of the termination of the "Help to Buy" programme (or its Scottish equivalent scheme), which could lead to a decrease in house prices, or due to the continuation of the "Help to Buy" programme, which could lead to increases in house prices and a resultant "bubble" in the housing market. In addition, new rules promulgated by the FCA following the Mortgage Market Review that came into force in April 2014, and amended the existing rules on mortgage lending with changes centred on responsible lending, including increased verification of income, assessment of affordability, interest rate stress tests, and assessments of future changes of borrowers' income which together could make it more difficult for customers to borrow and reduce demand for mortgages.

For information on the Group's exposure to the TFS, please refer to the risk factor entitled "*The Group is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost*".

Furthermore, the introduction of provisions to limit the income tax relief on mortgage interest expense available on residential property to buy-to-let landlords from 6 April 2017 may also negatively affect mortgage demand. Borrowers of buy-to-let mortgages have benefitted in recent years from a combination of low interest rates, rising house prices and increasing rents. First time buyers have struggled to raise the required deposit to allow them to purchase their own homes. If rental rates were to decrease or remain stagnant, interest rates were to increase, further tax changes were to reduce the post-tax return on buy-to-let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or house prices, the credit performance of the Group's buy-to-let mortgage book could deteriorate, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The future impact of these changes on the UK housing market and other regulatory changes or UK Government programmes, such as the UK implementation of the European Union Mortgage Credit Directive (2014/17/EU) which came into force in March 2016, whether or not the Group participates in them, is difficult to predict and plan for. Volatility in the UK housing market occurring as a result of such changes, such as a decrease in mortgage volumes due to stricter lending criteria, or for any other reason, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.3 The Group is exposed to risks relating to the supply and affordability of property in the UK

The Group's owner-occupied and buy-to-let mortgage lending is and will be dependent on a number of factors related to the supply and affordability of property in the UK.

In October 2014, the UK Prudential Regulation Authority (the "PRA"), issued rules and the FCA issued guidance to limit the volume of new mortgage lending for owner-occupied housing for loans with a loan-to-income ratio of over 4.5 times to no more than 15 per cent. of new loans, implementing a recommendation made in June 2014 by the Financial Policy Committee, a BoE committee responsible for ensuring financial stability. For the Group to maintain and grow its mortgage portfolio, the prices of new and existing properties must be at levels, relative to the income of purchasers, to allow them to borrow within the parameters of these regulatory restrictions on lending. If house prices are at too high a multiple of customer income, whether as a result of rising house prices and/or low customer income growth, potential customers will be unable to borrow, and the supply of mortgages will decrease.

The Group's owner-occupied mortgage lending requires a supply of newly built or developed property coming to the market that relies on mortgage lending for financing, as well as transaction volumes within the market for existing property being at a sufficiently high level to support a profitable level of owner-occupied mortgage lending. A decrease in housing transaction volumes could lead to a reduction in demand for owner-occupied mortgages and a fall in related mortgage revenues, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Average house prices in the UK have generally been on an upward trend since February 2009, but the annual rate of house price growth has generally slowed since the end of 2014. If UK house prices were, in the future, to begin to follow a falling trend or if house prices in those regions that the Group has significant exposure begin to follow a falling trend, in particular in Scotland, the North of England, the South East of England and London, this would be likely to result in an increase in the Group's residential mortgage loan impairment charges as the value of the security underlying its mortgage loans is eroded. Higher impairment charges could reduce the Group's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on the Group's business and potentially on its ability to implement its medium-term growth strategy.

The Group's buy-to-let lending primarily targets lending to high and medium net worth clients looking to diversify their investments. The buy-to-let market in the UK is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation. Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, coupled with the introduction in 2017 of stricter affordability tests and the stress-testing of interest rate rises, could reduce the potential returns from buy-to-let properties. In addition, the introduction of provisions to limit the income tax relief on mortgage interest expense on residential property available to buy-to-let landlords from 6 April 2017, will result in lower net yields on mortgaged buy-to-let property investments. These factors, and the introduction of a 3 per cent. stamp duty surcharge on purchases of buy-to-let and second homes that applies to sales completed on or after 1 April 2016 have made the purchase of buy-to-let properties a less viable investment opportunity and has reduced the demand for buy-to-let mortgages.

1.4 The Group is subject to risks associated with interest rate levels and volatility

Interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect the Group's results of operations, financial condition and return on capital in three principal areas: cost and availability of funding, impairment levels and net interest income and margins.

First, interest rates affect the cost and availability of the principal sources of the Group's funding, which is largely provided by customer deposits (in the form of personal current accounts ("PCAs"), business current accounts ("BCAs") and savings accounts) and wholesale funding from the capital markets, in the form of residential mortgage backed securities ("RMBS"), covered bonds and senior debt. The sustained low interest rate environment in recent years has resulted in the Group's absolute cost of funding

remaining relatively low by historical standards, by reducing the interest payable on customer deposits. However, it has also reduced incentives for consumers to save and, in doing so, potentially affected the amount of funding from customer deposits that could be provided to banks, as consumers are incentivised to seek alternative investments offering returns higher than those offered by PCAs, BCAs or savings accounts. The sustained low interest rate environment in recent years has also reduced incentives for consumers to transfer balances to accounts. If and when interest rates increase, customers may increasingly transfer PCA and BCA balances, as well as other deposit balances, to higher rate products, which could result in increased interest expense and/or reduced deposit volumes for the Group.

The Group raises funding from a number of wholesale sources, including secured funding through RMBS and covered bond programmes, senior debt from its global medium term note programme and shorter-term wholesale funding. The Virgin Money Group also sources a proportion of its funding in the wholesale markets, including funding through its RMBS securitisations, its covered bond programme and its global medium term note programme, as well as shorter term wholesale funding. Any significant increase in interest rates could have a material adverse impact on the availability and interest cost of such funding.

Secondly, interest rates impact the Group's impairment levels, particularly because (if passed on to customers) they affect customer affordability of mortgages, as well as the ability of individuals and SMEs to borrow and service loans. An increase in interest rates, without a comparable increase in customer income or SME revenues and profits, could, for example, lead to an increase in default rates among customers who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group. A high interest rate environment may also reduce demand for mortgages and other loans generally, as individuals and SME customers may be less likely or less able to borrow when interest rates are high. A high interest rate environment may result in other forms of financing, such as equity capital for SMEs, becoming more attractive, thereby reducing the Group's lending and related income. In a low interest rate environment, there is a risk that borrowers at early levels of financial distress will not be identified in a timely manner, as they may continue to be able to service their loans, which may contribute to higher impairment levels in the future. This may be exacerbated when interest rates change frequently.

Thirdly, interest rates affect the Group's net interest income and margins. As at the date of this Base Prospectus, the BoE base rate was 0.75 per cent., having been held at 0.50 per cent. since March 2009 and reduced in August 2016 to 0.25 per cent., before being increased back to 0.50 per cent. in November 2017 and raised to 0.75 per cent. in August 2018. In the 30 years preceding December 2007, the lowest level of the base rate was 3.5 per cent. This low interest rate environment has impacted net interest income and margins throughout the UK banking industry, including at the Group.

Over the last few years, the sustained period of low interest rates resulted in lower returns on low interest bearing and non-interest bearing current accounts and capital, reducing the Group's net interest income and net interest margin. The Group's business and financial performance and net interest income and margin may continue to be adversely affected by the continued low interest rate environment.

In the event of sudden, large or frequent increases in interest rates, the Group may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which may negatively affect its net interest income and net interest margin.

Moreover, the Group's variable rate savings accounts and other floating rate liabilities expose the Group to the risk of increased costs if interest rates increase. In an increasing interest rate environment, the Group may also be more exposed to re-pricing of its liabilities than competitors with a lower proportion of variable rate deposits or other liabilities.

If the Group is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing, monitoring of borrower credit quality or other means, such volatility could have a material adverse effect on its business, financial condition, results of operations and prospects.

1.5 **Risks in relation to the UK's vote to leave the EU**

On 23 June 2016, the UK voted to leave the EU in a referendum (the "**UK Referendum**"). Following the UK Government's decision to invoke Article 50 of the Treaty on the EU on 29 March 2017, it is expected that the UK will leave the EU in October 2019, although this deadline could be extended, or a transitional arrangement put in place, subject to agreement by all EU member states. At this stage, the nature of the relationship between the UK and the EU following the UK's exit (the "**EU27**") has yet to be agreed and negotiations with the EU on the terms of the exit have demonstrated the difficulties that exist in reaching such an agreement. In addition to the economic and market uncertainty this brings (see "*Market uncertainty*" below), there are a number of other potential risks which may arise as a result of the UK Referendum result. If any of these risks materialise, they could have a material adverse effect on the Group's business, prospects or results of operations:

(a) ***Political uncertainty***

Following the UK Referendum, the UK has entered into a period of political uncertainty. Such uncertainty could lead to a high degree of economic and market disruption and legal uncertainty. It is not possible to ascertain how long this period will last and the impact it will have on the UK in general. The Issuers cannot predict when or if political stability will return.

(b) ***Legal uncertainty***

A significant proportion of English and Scots law currently derives from or is designed to operate in concert with EU law. This is especially true of English and Scots law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. Depending on the timing and terms of the UK's exit from the EU, significant changes to English and Scots law in areas relevant to the Group can be expected. The Issuers cannot predict what any such changes will be. This could increase uncertainty and compliance costs for the Group.

(c) ***Regulatory uncertainty***

There is significant uncertainty about how EU27 financial institutions with assets (including branches) in the UK will be regulated and *vice versa*. At present, the EU single market regulation allows regulated financial institutions (including credit institutions, investment firms, alternative investment fund managers, insurance and reinsurance undertakings) to benefit from a passporting system for regulatory authorisations required to conduct its businesses, as well as facilitating mutual rights of access to important elements of market infrastructure such as payment and settlement systems. EU law is also the framework for mutual recognition of bank recovery and resolution regimes.

Once the UK ceases to be an EU Member State, the current passporting arrangements will cease to be effective, as will the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes. The ability of regulated financial institutions to continue to do business between the UK and the EU after the UK ceases to be an EU Member State would therefore be subject to separate arrangements between the UK and the EU, in respect of which negotiations are ongoing. There can be no assurance that there will be any such arrangements concluded and, if they are concluded, on what terms. The Group may therefore be at risk of losing the ability

to passport into EU Member States. Currently, as set out in the Financial Services Register, Clydesdale Bank has the ability to exercise passporting rights to certain EEA jurisdictions. Given that all of the Group's activities are UK-based, it does not currently rely on those permissions and has no plans to do so in the future. The loss of passporting would, however, impact the Group's ability to carry out business in EEA countries to the extent it wished to do so in the future.

(d) ***Market uncertainty***

Since the UK Referendum, there has been volatility and disruption of the capital, currency and credit markets, including the market for debt and equity securities.

(e) ***Wider UK constitutional implications***

The UK Referendum has also caused renewed constitutional debate within the UK. Majorities of voters in both Scotland and Northern Ireland voted to remain in the EU. Senior political figures in both Scotland and Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the UK in order to achieve that outcome. On 28 March 2017, the Scottish Parliament gave approval for a motion to grant the Scottish Government a mandate to begin discussions with the UK Government over an independence referendum for Scotland. However, the UK Prime Minister has indicated that the UK Government does not support an independence referendum for Scotland prior to the UK exit from the EU. There is therefore inherent uncertainty surrounding the potential for a Scottish independence referendum.

A future departure of Scotland from the UK could impact the fiscal, monetary and regulatory landscape to which the Group is subject and may create additional costs for them (including changes to pension arrangements, costs of regulatory compliance and, if deemed necessary, a change of headquarters to England). While the operational consequences of independence remain uncertain, it could (1) result in changes to the economic climate in Scotland and political and policy developments, (2) have an impact on Scots law, regulation accounting or administrative practice in Scotland, and/or (3) result in Scotland not continuing to use pounds sterling as its base currency.

Risks and uncertainties associated with a departure of Scotland from the UK could materialise both before any referendum for independence takes place and, in addition, in the case of a vote for independence, after the referendum but before independence.

(f) ***Rating actions***

The UK Referendum has resulted in downgrades of the UK sovereign by the major credit rating agencies. S&P and Fitch have a negative outlook and watch, respectively, on the UK sovereign rating, suggesting a possibility of further negative rating action.

The rating of the sovereign may affect the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades of the sovereign rating may result in downgrades of the Group's ratings and Group entities, which may increase its borrowing costs or challenge its access to wholesale funding from capital markets. Following a reassessment of their probability of a no-deal disruptive Brexit scenario, on 31 October 2019, Fitch placed the BBB+ long-term Issuer Default Ratings of the Company and its subsidiaries (including the Bank) on Rating Watch Negative. This was part of a wider action on a number of UK banks. None of the Group's other ratings were impacted.

1.6 **The Group faces risks associated with the implementation of its medium-term growth strategy**

The Group faces a variety of risks associated with the implementation of its medium-term growth strategy. A failure to achieve its strategic objectives including driving sustainable customer growth, improving efficiency and optimising capital, as described in more detail in the section titled '*Information on the Group*', would have an adverse impact on the Group's ability to attract and retain customers, its reputation and its business, results of operations, financial condition and prospects, which in turn could have an adverse impact on the price of the Notes in the secondary market.

Risks associated with the Group's strategy to drive sustainable customer growth in its loan portfolio and deposit base

In seeking to grow its mortgage, SME lending and unsecured personal lending books, the Group is susceptible to the risk of reduced asset quality and increased impairment losses in its customer loan portfolio due to it broadening its target market or loosening its underwriting or lending criteria in order to attract additional customers, or applying a broader interpretation of existing underwriting or lending criteria. The Group is also subject to the risk of increased competition, including competition based on price, in seeking to grow its customer loan portfolio, which could adversely affect the Group's net interest margin and returns. Furthermore, banks seeking growth through increased lending volumes may also incur higher impairments and increased conduct risks, in particular those relating to the mis-selling of products or lending that is deemed irresponsible and/or services that are either poorly matched with, or superfluous to, customer needs. If the Group fails to manage these risks adequately, it could result in legal or regulatory action against the Group, reputational damage to its brands and adverse impacts on the implementation of its medium-term growth strategy.

The Group's continued ability to maintain and grow its customer loan portfolio depends on continued access to customer deposits and other sources of funding in quantities sufficient to finance and refinance the portfolio at costs that the Group considers to be commercially acceptable. A key component of the Group's medium-term growth strategy is to grow its retail and SME deposits, and in particular to increase the volume of new PCA and BCA accounts, in order to fund the growth of its business and maintain the loans-to-customer deposits ratio ("**LDR**") at its targeted level. Access to customer deposits is subject to competition and market factors that are outside of the Group's control, and accordingly it may need to increase the interest rates it offers to customers in order to attract deposits, which may result in increased interest expense, reduced net interest income and reduced net interest margin. The Group may not be able to obtain and maintain access to sufficient customer deposits, or other sources of funding at costs which are commercially acceptable, to finance its planned medium-term growth.

Risks associated with the Group's digital strategy

A core part of the Group's medium-term growth strategy is strengthening its digital platform to support the delivery of a consistent and seamless experience for customers through the Group's omni-channel distribution platform, creating new digital propositions to support new customer acquisition and customer retention, and simplifying its operating platform to drive efficiency, process simplification and customer acquisition. If the Group fails to successfully execute its digital strategy, fails to invest sufficiently, fails to invest to the same extent as its competitors, fails to invest in appropriate technologies or customers (in particular SME customers), or fails to adopt the high-tech, light touch service model that the Group's medium-term growth strategy anticipates, the Group's business, results of operations, financial condition and prospects could be materially adversely affected. The Group also may be required to make further expenditure or investments (such as marketing, customer incentives or pricing changes) in order to achieve its strategic targets. Further innovation by competitors, for example through "digital disruption" of existing product or service markets causing changes in consumer demands and behaviours, or other changes in consumer behaviour, may require it to adapt its plans and/or revise its strategy, causing delay in its implementation or resulting in additional costs. There is a

risk that the execution of the Group's digital strategy will increase the demands on its existing on-boarding, monitoring and screening IT systems. The failure of any of these IT systems to meet such increased requirements could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Any failure to successfully implement its digital strategy, delay in such implementation or failure to keep pace with further changes in the industry could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*"), or a significant operational or technology failure, may adversely affect the execution of the Group's digital strategy, which could lead to a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Execution and other risks associated with the Group's medium-term growth strategy

The Group's ability to implement its medium-term growth strategy and any future strategy successfully is subject to execution risks, including those relating to the management of its cost base and limitations in its management and operational capacity. The implementation of its medium-term growth strategy will require management to make complex judgments, including anticipating customer needs and customer behaviour across a wide range of retail and SME banking products, and anticipating competitor activity, legal and regulatory changes and the likely direction of a number of macro-economic factors regarding the UK economy and the retail and SME banking sector. In addition, the Group may fail to achieve management's guidance, targets or expectations in respect of the Group's net interest margin, operating and administrative expenses, standalone costs as a listed entity, return on tangible equity, dividends, growth in mortgage lending, total retail lending and/or SME lending, growth in mortgage market share, SME lending market share, PCA market share and/or BCA market share, or in the development of the Group's asset quality, cost-to-income, jaws, CET1 capital and/or LDR, or other financial or key performance indicators. Following the acquisition of Virgin Money, there is a risk that additional spend will be required to align the information security control on Virgin Money's applications and infrastructure to the Company's existing security posture, there is also a risk that a greater than expected level of complexity in the integration of Virgin Money's business and system with the Company will be encountered, either of which could result in increased costs and could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

The risk that some or all of these targets and expectations may fail to be achieved may be a consequence of internal factors such as a failure to effectively manage its cost base. The risk may also be exacerbated or caused by a number of external factors, including a downturn in the UK, European or global economy, increased competition in the UK retail and SME banking sector and/or significant or unexpected changes in the regulation of the financial services sector in the UK or Europe or in relation to the payment of dividends. A failure to successfully manage the implementation of its medium-term growth strategy for the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group announced an updated medium-term strategy at a capital markets day on 19 June 2019.

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

The Group's operations are heavily regulated, and it must comply with numerous laws and regulations and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the financial services industry. For example, UK financial institutions, including the Group, are subject to a high level of scrutiny by regulatory bodies (including the BoE, the FCA, the PRA, the Payment

Systems Regulator, the UK Competition and Markets Authority (the "**CMA**"), the Pensions Regulator and the UK Information Commissioner's Office (the "**ICO**") regarding the treatment of customers and also by the press and politicians. Financial institutions, including the Group and its employees, have also been subject to customer complaints and regulatory investigation and/or enforcement action regarding mis-selling of financial products, adequacy of systems and controls, handling of customers in arrears and conduct leading to customer detriment and the mishandling of related complaints which has resulted in disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution to affected customers, all of which result in costs and may require provisions in addition to those already taken. In particular, and in common with the wider UK retail and SME banking sector, the Group continues to deal with complaints and redress issues arising out of historic sales of payment protection insurance ("**PPI**"), the historic sales of certain interest rate hedging products ("**IRHP**") which includes standalone interest rate hedging products and certain tailored business loans, with additional features such as interest rate protection functionality, structured collars, collars or caps and fixed rate tailored business loans to SMEs and other conduct-related matters. Further information is provided in risk factor entitled "*The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" below.

Regulatory enforcement actions pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, the Group and/or its employees may be subject to other penalties and injunctive relief, civil or private litigation arising out of the same subject matters as a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions. For further details of risks arising from regulations applicable to the Group, see "*Regulatory Risks*" below. All of these issues could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the execution of the Group's strategy and the operation of its business.

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

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

The Group offers its full-service retail and SME banking proposition through its "Clydesdale Bank", "Yorkshire Bank", "Virgin Money" and "B" brands. The Company has reached an agreement with Virgin Enterprises Limited ("**Virgin Enterprises**") that permits the Group, subject to certain exclusions and reservations of rights, exclusive and perpetual access to use the "Virgin Money" brand in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks, challenger banks, all investment or savings products and services, and all insurance products and services, as well as certain related non-exclusive rights to use the "Virgin" trademarks. Any event or circumstance that causes damage to the Group or its brands could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's brands may be damaged by the actions, behaviour or performance of its employees, affiliates, suppliers, counterparties, regulators, customers and/or other activists, or the financial services industry generally. A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor below

entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*"), or a significant operational or technology failure, or a fall in customer service levels, or demonstrations by customers and/or other activists, may cause business disruption or adversely affect the perceptions of the Group held by the public, shareholders, investors, customers, employees, regulators or rating agencies. A risk event itself may expose the Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts on the Company's share price. There is also a risk that customers may not support or may be deterred by the rebranding of the Company's business and/or the ongoing use of the "Virgin Money" brand, which may adversely impact the Group's business, results of operations, financial condition and prospects.

In particular, the "Virgin" brand is used in a wide range of different economic sectors in the UK and internationally. Following the acquisition of Virgin Money, the Group is exposed to the risk that others associated with the "Virgin" brand, including Sir Richard Branson and his family or other companies which use the "Virgin" brand, may bring the brand into disrepute. The "Virgin" brand is positioned as an innovative brand and many of the ventures to which it is attached are in the public eye. The Group faces the risk that should any of such innovative activities not be successful, this will be heavily reported and there may be a negative effect on the reputation and the strength of the "Virgin" brand which may have similar consequences for the "Virgin Money" brand or the Group and its brands generally. Furthermore, should Sir Richard Branson cease to be connected to the "Virgin" brand, for example, through exiting the business or upon his death, the goodwill of the "Virgin" brand, especially the brand's popularity with consumers, may suffer a decline which may have similar consequences on the "Virgin Money" brand.

Reputational damage to the Group or its brands may adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may also result in a higher risk premium being applied to the Group, which could adversely impact the cost of funding its operations and its financial condition.

1.9 **The Group may lose the right to use the "Virgin" and "Virgin Money" brands (which it does not own)**

Following the acquisition of Virgin Money, in order for the Group to use the "Virgin" and "Virgin Money" names and brands (which it will not own), the Group is required to comply with certain obligations under the brand licence agreement entered into between the Company and Virgin Enterprises (the "**Brand Licence Agreement**"). The Brand Licence Agreement has a perpetual term. Virgin Enterprises has the right to terminate the Brand Licence Agreement in certain circumstances, including amongst other things: (i) if the Company challenges Virgin Enterprises' ownership of, entitlement to license and/or the validity of the licensed trade marks; (ii) on the Company's insolvency; (iii) upon the Company's material, unremedied breach of the Brand Licence Agreement; (iv) if the Company undergoes a change of control and the acquirer is a direct competitor of Virgin Enterprises (or any of its licensees) in the UK, or an entity involved in any business or activity, or possessing a reputation or financial standing which would be reasonably likely to materially damage the value or reputation of the "Virgin Money" or "Virgin" brands; and (v) the Company's failure to comply with the must-use requirement under the Brand Licence Agreement (which requires, following the rebranding period (which is expected to end no later than 3 years from the completion of the Part VII Transfer) at least 80 per cent. of the Group's turnover to be generated under the marks licensed by Virgin Enterprises). In certain circumstances, the termination of the Brand Licence Agreement by Virgin Enterprises for cause entitles it to receive a termination fee from the Company in lieu of a damage claim. Loss of the Group's rights to use the "Virgin" and "Virgin Money" names and brands under the Brand Licence Agreement could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Virgin Enterprises may allow other Virgin Enterprises licensees to use the "Virgin" name and brand for financial products and services in certain defined circumstances. The use by any other Virgin Enterprises licensee of the "Virgin" name in relation to financial

services and products may represent a dilution of the Group's exclusivity in the financial services field, and could: (i) cause customer confusion and (ii) create potential reputational damage if the Virgin Enterprises licensee providing the ancillary financial products or services does anything that damages the goodwill of the brand.

1.10 The strength and recognition of the Group's existing brands may diminish following the acquisition of Virgin Money

As, following the rebranding period, at least 80 per cent. of the Group's turnover is required to be generated under the marks licensed by Virgin Enterprises, there is a risk that the strength and recognition of Group's "B", "Clydesdale Bank" and/or "Yorkshire Bank" brands could be diminished.

Furthermore, in the event that the Group is required to (or decides to) cease use of the "Virgin" or "Virgin Money" brands in the future, there is a risk that its existing "B", "Clydesdale Bank" and "Yorkshire Bank" brands will no longer benefit from the same level of customer recognition in the market which they currently receive, which could affect the Group's competitive position and dampen growth prospects. In addition, if the Group ceases to use its current brands for a period of five years, the trade mark registrations for those brands will become vulnerable to revocation and the Group will lose the ability to enforce them against third parties.

1.11 There are risks relating to the proposed Part VII Transfer (as defined below) of all or substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc

On 15 October 2018, the Company acquired the entire issued share capital of Virgin Money Holdings (UK) plc pursuant to the Acquisition. In addition to the broader risk factors relating to the integration between the legacy CYBG Group and the legacy Virgin Money group as described below under "*Integration of Virgin Money into the Group may be more time consuming and costly than expected and unforeseen difficulties may arise*", prospective investors should have regard to the risks relating to the proposed Part VII Transfer, and should also carefully review the section of this Base Prospectus entitled "*Information on the Group*" and the information incorporated by reference in this Base Prospectus.

It is intended as at the date of this Base Prospectus that all or substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc will be transferred to the Bank pursuant to Part VII of the FSMA (the "**Part VII Transfer**"). The Court hearing to approve the Part VII Transfer is expected to be held on 26 September 2019. Providing the Court approves the Part VII Transfer, it is expected to complete on 21 October 2019. If such Part VII Transfer occurs it is anticipated that the then Virgin Money plc business and the then Clydesdale Bank PLC business will be combined to form a single banking entity in which all or substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc are vested immediately following completion of the Part VII Transfer.

Should the Part VII Transfer complete or, conversely, if the proposed Part VII Transfer is not implemented in its current proposed form, or at all, no assurance can be given as to the impact on the future business, operations, credit rating and/or financial performance more generally of the combined businesses, operations, assets and liabilities of the Group and its ability to deliver cost/revenue synergies. In addition, no assurance can be given at this stage as to the impact on the then ratings of the Notes.

It should be noted, however, that there can be no assurance that the proposed Part VII Transfer will be implemented in its current proposed form, or at all. Accordingly, Noteholders should be prepared to accept the risks inherent in an investment in the Notes, whether the proposed Part VII Transfer is implemented or not.

1.12 **Integration of Virgin Money into the Group may be more time consuming and costly than expected and unforeseen difficulties may arise**

The integration of Virgin Money into the Group may be more complex than anticipated. Successful integration will require a significant amount of management time and may affect or impair the ability of the management team of the Group to run the business effectively during the period of integration and to execute the Group's existing strategic priorities. If the integration process proves more difficult than is being anticipated there is a risk to the operational performance of the Company and the Group. Activity to integrate Virgin Money into the Group is now well underway and a framework for managing this activity has been established putting controls in place to help mitigate this overall risk. Integration exposes the Group to the following risks:

(a) *Retention of key staff*

The success of the Group will in part depend on its ability to retain, but also attract, hire and train qualified management as well as qualified technical and sales personnel. In the course of the integration process, key staff may leave the Group in favour of competing entities. The inability to retain key staff could impair the ability of the Group properly to execute the integration of the legacy Virgin Money Group with the legacy CYBG Group. For further information, see the risk factor entitled "*Risks relating to the Group – The Group may fail to attract or retain executives, senior managers or other key employees*".

(b) *Integration of employee groups*

The merger of the employee groups of Virgin Money into the Group will include, amongst other things, integration of unionised and non-unionised employees, restructuring of staff structures and possibly harmonisation of employment terms. Such merger and integration may result in labour related actions and employees terminating their employment with Virgin Money or the Bank which may in turn disrupt the integration process.

(c) *Disruption or failure of systems*

The integration of Virgin Money into the Group may cause disruptions or failures in the IT systems of the Group. Such disruptions or failures could damage the reputation of the Group, result in loss of customers and revenues and may adversely affect the integration process. In addition, integration of the networks and IT systems of the Group could be subject to risks caused by cyber-enabled crime and fraud, misappropriation, misuse, leakage and accidental release or loss of information maintained in the IT systems, which may be in breach of personal data legislation, and which may result in loss of customers, customer dissatisfaction or financial claims.

(d) *Disruption to management*

The integration of the businesses could divert management's time and focus from operating the business of the Group. Any negative impact on management's ability to focus on running the respective businesses could have a material adverse effect on the Group, and the Group's business, results of operations, financial condition or prospects.

(e) *Integration of brands and legal entities*

The integration of businesses including assets, businesses and their operations, technologies and employees may expose the Group to operating difficulties and expenditure associated with integrating the "Virgin Money" brand. As a result, there is a risk of customer confusion, in particular during the transition period and merging of the brands may expose the Group to increased regulatory scrutiny. For further information, see the risk factor entitled "*Risks relating to the Group –*

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

(f) *Impact on customer growth*

The integration of Virgin Money into the Group may result in it having a higher risk portfolio due to either (i) changes in its customer base, or (ii) by targeting a more diverse set of segments. Any such negative impact on the Group's risk portfolio could lead to a material adverse effect on the Group's rate of medium term customer growth.

As a result of the above and/or other risks, it is possible that the costs of integration of Virgin Money into the Group may be materially higher than anticipated, which would adversely affect the expected synergy benefits and in particular exceed anticipated cost savings as a result of the Acquisition. In addition, the integration may take longer than is expected, or difficulties relating to the integration, including of which the board of directors of the Company from time to time are not yet aware, may arise. In such circumstances, the profitability of the Group might be detrimentally affected, which could have a material adverse effect on the business and financial condition of the Group.

1.13 The Group faces risks from the highly competitive environment in which it operates

The market for financial services in the UK faces many competitive pressures and the Group expects these pressures to continue in response to competitor behaviour, consumer expectations, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. In combination, these forces are placing increasing pressure on the Group's results of operations, digital capability, margins and returns through price pressure, reductions in fees and charges, increased marketing and other related expenses, investment demands, regulatory requirements and changes to capital requirements.

The UK banking industry continues to be dominated by the biggest five banks with a lack of a material shift in market share to challenger and specialist lenders, particularly in relation to the PCA and BCA markets. There is, however, some variation between each of the five largest banks with some increasing and others decreasing their market shares as they manage balance sheet growth in the context of their wider strategic agendas.

As the financial services markets in which the Group operates are generally mature, growth by any bank typically requires winning market share from competitors.

The Group faces competition from established financial services providers as well as new market entrants, including "challenger banks" and "neo banks" with specific areas of market focus, and non-bank competitors which, in some cases, have lower cost operating models and are therefore capable of generating better returns from asset growth. Competition in the UK mortgage market including from challenger banks seeking scale and growth over a short period of time is continuing to create downward price pressure on mortgage and other lending rates. The pressure is expected to increase as ring-fencing legislation comes into force in the UK, with some ring-fenced competitor banks looking to deploy excess liquidity in the broker mortgage market.

Further intervention in the UK banking industry is anticipated from regulators and authorities who are increasingly focusing on competition and market effectiveness. Low levels of switching in the UK current account market have been seen as a major barrier to competition between banks and an impediment to customers receiving a potentially better service from a new supplier. In order to address this issue, the Payments Council implemented the seven-day Current Account Switch Service in the second half of 2013. However, switching volumes remain subdued. The Payment Services Directive 2 (EU) 2015/2366 ("PSD2") has been implemented from January 2018, with a view to further opening up the competitive landscape in addition to providing enhanced protection for consumers. This creates an increased risk for traditional financial services firms and a specific material risk for the Group of disintermediation by third parties. In the UK, open

banking regulation requires certain of the largest banks to provide access to certain information via a standardised set of application programming interfaces ("**APIs**"). It also introduces a risk for the Group should it fail to adapt in a fast-changing environment. The Group is well placed to meet the new requirements and is actively adapting its strategy in light of the increased competition and disintermediation risk. Customer acquisition and retention strategies are expected to focus increasingly on developing compelling and broad reaching propositions centred on specific customer needs or journeys, creating ecosystems of interlinked products, services, features and functionality that increase ease and convenience for customers.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products and services to keep pace with industry developments and meet customer expectations. It is also subject to the risk of not appropriately responding to increased threats of cyber-crime associated with digital expansion (for further information, see the risk factor entitled "*The Group is exposed to risks associated with cyber-enabled crime and fraud*") and the industry-wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. The Group expects to increasingly collaborate with innovative market players in order to develop compelling and secure customer propositions and to enhance operational performance; however, the Group's financial and operational performance may be materially adversely affected by an inability to keep pace with industry trend and customer expectations.

The credit card issuing business is highly competitive. The Group competes with other credit card issuers on the basis of a number of factors, including products and services, brand, network, reputation and pricing. This competition affects the ability of the Group to obtain applicants for credit cards, encourage card members to use their credit cards, maximise the revenue generated by card usage and generate card member loyalty and satisfaction so as to minimise the number of card members switching to other credit card brands. If the Group is unable to compete successfully, the Group's business, financial condition, results of operations and/or prospects could be materially adversely affected.

1.14 **The Group may fail to successfully acquire RBS SME customers through the Incentivised Switching Scheme, which could have an adverse impact on the Group's ability to further enhance the Bank's competitiveness in the business banking market**

Competitive pressures in the business banking market remain high, with the large incumbent banks with full service capabilities and scale advantages continuing to account for significant portions of the market share amongst SME customers. The alternative package proposed by the UK authorities to replace the commitment for The Royal Bank of Scotland ("**RBS**") to divest Williams & Glyn ("**W&G**"), required as part of RBS's restructuring plan (the "**RBS Alternative Remedies Scheme**"), has received significant focus across the sector since its announcement in September 2017. Eligible "challenger banks" were able to apply to participate in an incentivised switching scheme (the "**Incentivised Switching Scheme**"), which went live on 25 February 2019, through which certain RBS SME customers (former W&G customers) are being financially incentivised to switch their BCAs from RBS to participating "challenger" banks. The RBS Alternative Remedies Scheme has been designed to facilitate the divestment of three per cent. of the BCA market share in the UK SME banking market from RBS to "challenger" segment. In addition, eligible "challenger banks", other small financial services firms and firms involved in providing financial services by making use of software and modern technology ("**FinTech firms**") offering SME banking and financial services (or with ambitions to offer such services), are able to apply to a Capability and Innovation Fund which will provide a range of awards (split across different categories with pre-determined eligibility criteria) that could be used to invest in delivering sustainable long-term improvements to firms' propositions and services for SME clients.

While the Group has been selected to participate in the Incentivised Switching Scheme, on 21 February 2019, it announced that it has not received a grant from Pool A of the Capability and Innovation Fund. A subsequent application for funding through Pool B has

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

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

1.15 **The Group may face risks relating to non-retail credit exposures**

The majority of the Group's non-retail lending portfolio relates to SMEs. Collectively assessed provisioning for the Group's SME portfolio is based on the probability that the customer defaults on the loan (the "PD") and the amount the Group expects to be irrecoverable from that customer (the "LGD"). The modelled collective assessment also considers factors such as credit quality; levels of arrears; credit utilisation; loan to collateral ratios; and other factors including the Group's internal customer rating system. These characteristics are relevant to the estimation of future cash flows for groups of such assets as they are indicative of the borrower's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Regular assessment takes place to determine which of the Group's assets have deteriorated significantly since origination; those assets so deteriorating attract a more punitive lifetime loss allowance.

Estimating the Group's collectively and individually assessed provisions requires the Group's directors to exercise significant judgement, and incorporates the use of assumptions, the most significant of which are the PD and LGD assumptions used in the Group's collective modelling process, which are informed by a range of forward looking economic scenarios and the identification and judgments made in respect of loan files subject to individual assessment. The use of judgements and supportable estimates is considered by management to be an essential part of the credit impairment process. This credit impairment process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

1.16 **The Group is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost**

Funding risk is the risk that the Group is unable to raise short and/or long-term funding at a commercially acceptable cost in the retail and wholesale markets to support its ongoing operations, strategic plans and objectives. Liquidity risk is inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. As well as relying on retail and business deposits, the Group accesses domestic and global capital markets to help fund its businesses. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. Any dislocation in these funding markets or a reduction in investor appetite for holding its securities or other credit exposures may adversely affect

the Group's ability to access funds or require it to access funds at a higher cost, or on unfavourable terms.

The Group has a diversified funding base, with the majority of the Group's funding generated through customer liabilities in the form of current accounts and savings accounts, supplemented with funding obtained through RMBS securitisation programmes, covered bond programmes and a global medium term note programme. As at 31 March 2019, the Group had also drawn £8.4 billion of funding from the BoE's TFS, which will mature in 2021–2022.

As part of its funding plan, the Group intends to continue to access the wholesale funding markets. If during periods of acute economic or market disruption the wholesale funding markets were to be partially or fully closed, it is likely that wholesale funding would prove more difficult to obtain on commercially acceptable terms. Under such circumstances, the Group may incur additional costs and may be unable to successfully deliver its medium-term growth strategy. Profound curtailments of central bank liquidity to the financial markets in connection with other market stresses, though unlikely, might have a material adverse effect on the Group's business, financial position and results of operations, depending on its funding position at that time.

Any downgrade in the credit rating of the Company, the Group, any member of the Group, the Group's RMBS issuance vehicles or its respective securities, or a downgrade in the sovereign rating of the UK, may increase the Group's borrowing costs or limit its access to the capital markets, which may increase the re-financing risk, and, consequently, have a material adverse effect on its business, results of operations, financial condition and prospects. For further information, see the risk factor entitled "*A downgrade in the credit rating of the Company, the Bank, Virgin Money and/or any other member of the Group, the UK banking sector or the UK Government may have an adverse effect on the Group's business, results of operations, financial condition and prospects*" below.

The Group aims to maintain a prudent customer LDR, which means that the majority of its lending is funded by retail and business deposits. Medium-term growth in the Group's lending activities will depend, in part, on the availability of retail and business deposit funding on commercially acceptable terms, for which there may be increased competition, and which is dependent on a variety of factors outside the Group's control. These factors include general macro-economic conditions and market volatility, the confidence of retail and business depositors in the economy, in the financial services industry, in new market entrants and in the Group. Availability of deposit funding may also be impacted by increased competition from other deposit takers as a result of their strategies or factors that constrain the volume of liquidity in the market, including, for example, the re-financing of TFS. Increases in the cost of deposit funding would impact the Group's net interest margin and affect its results of operations, and a lack of availability of deposit funding could have a material adverse effect on its future growth.

Any loss in consumer confidence in the Group could significantly increase the amount of deposit withdrawals that may occur in a short space of time. Should it experience an unusually high and/or unforeseen level of deposit withdrawals, the Group may require greater non-retail sources of other funding in the future, which it may be unable to access, which could in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

Any initiative to raise additional deposits through price leadership could have an adverse impact on the Group's net interest income and margin through the cost of both paying higher interest rates to new customers and existing customers switching to these higher-rate products.

Failure to manage these or any other risks relating to the availability of liquidity and funding at a commercially acceptable cost may compromise the Group's ability to deliver its growth strategy and have a material adverse effect on its business, financial condition, results of operations and prospects.

1.17 **The amount and quality of the Group's capital is subject to regulatory requirements and market influence**

Capital risk is the risk that the Group does not have sufficient capital and reserves of sufficient quality to meet prudential regulatory requirements, achieve its medium-term growth strategy, cover the risks to which it is exposed or protect against unexpected losses. The Group is required to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations.

The Group plans to satisfy incremental increases in capital required to support balance sheet growth by way of retained earnings and plans to access the wholesale markets to refinance various existing capital instruments and to issue new instruments from time to time. If during periods of acute economic or market disruption the wholesale markets were to be fully or partially closed, it is likely that such refinancing would prove more difficult to obtain on commercially acceptable terms. Under such circumstances, the Group may be required to take other appropriate management actions and incur additional costs.

An actual or perceived shortage of capital could have a material adverse effect on the Group's business, which could, in turn, affect its capacity to pay future dividends or implement its business strategy, impacting future growth potential. If, in response to any such shortage, the Company raises additional capital through the issuance of share capital or capital instruments, existing shareholders and/or subordinated debt holders, including holders of the Notes, may experience a dilution of their holdings or reduced profitability and returns.

The Company may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section. The Group may also experience an increased demand for capital as a result of regulatory requirements. For further information, see "Risk Factors — *Regulatory Risks — The Group is subject to substantial and changing prudential regulation*" below. Additional capital may also be required to redress issues from historical sales of financial products. Further information is provided in "Risk Factors — *Risks relating to the Group — The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" below.

The implementation of international financial reporting standards IFRS 9 "Financial Instruments", which the Group adopted from 1 October 2018 has had an impact on the Group. IFRS 9 requires the Group to move from an incurred loss model to an expected loss model requiring the Group to recognise not only credit losses that have already occurred but also losses that are expected to occur in the future. As expected, the change to the basis of impairment loss provisioning resulted in a transitional impact of £21m (net of tax) due to the increased level of credit impairments required under IFRS 9 compared with IAS 39. As IFRS 9 does not require the restatement of comparative information, the transitional impact resulted in a net decrease in the Group's total equity at 1 October 2018. The transitional impact of IFRS 9 on the Group's reported CET1 ratio at 1 October 2018 was a reduction of 14 basis points on a fully loaded basis. As a result of the transitional capital rules option, which the Group has already confirmed it will exercise, the effect on the transitional CET1 ratio was only 2 basis points at 31 March 2019.

IFRS 16 was issued in January 2016 and is effective for financial years beginning on or after 1 January 2019 and will be adopted by the Group with effect from 1 October 2019. For lessees, operating leases will be brought onto the Group's balance sheet with an asset recognised for the contractual 'right of use' and a financial liability recognised for the contractual payments. This change will mainly impact the properties that the Group currently accounts for as operating leases. An implementation plan is in place and the Group is currently undertaking a review of its lease agreements. There are no substantial changes to the accounting for leases by lessors, nor for finance leases. A final update on the Group's IFRS 16 implementation plan, including a quantification of the financial effect on transition, will be provided in the Annual Report and Accounts for the year ending 30 September 2019.

The Group may also be impacted by certain revisions for calculating regulatory capital, including revisions to the regulatory capital treatment of interest rate risk in the banking book and the standardised approaches for credit risk and operational risk, as described further under "*Risk Factors — Regulatory Risks — The Group is subject to substantial and changing prudential regulation*" recently released by the Basel Committee on Banking Supervision (the "**Basel Committee**").

The Group sets its internal target amount of capital by taking account of its own assessment of the risk profile of the business, market expectations and regulatory requirements. If market expectations as to capital levels increase, driven by, for example, the capital levels or targets amongst peer banks or if new regulatory requirements are introduced, then the Group may be required to increase its capital held. If it is unable to do so, its business, financial condition, results of operations and prospects may be materially adversely affected. Ultimately if there is a significant shortfall in the amount of capital held, it may lead to the BoE exercising its recovery and resolution powers over the Company. If the BoE, as resolution authority, were to exercise such powers in respect of the Company, then subordinated debt holders, including the holders of the Notes, may experience their holdings becoming cancelled or diluted, and may not receive any compensation for their losses, see "*Risk Factors — Regulatory Risks — The Group is subject to substantial and changing prudential regulation*" below.

1.18 The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions

The Group faces conduct, financial and reputational risks as a result of legal and regulatory proceedings, and complaints made to it directly or to the Financial Ombudsman Service (the "**FOS**") or other relevant regulatory bodies, both against the Group and against members of the UK banking industry more generally.

These conduct issues relate to *inter alia*: (a) PPI; (b) standalone interest rate hedging products; (c) voluntary scope tailored business loans; (d) fixed rate tailored business loans; (e) packaged bank accounts; and (f) investment advice.

In addition, the Group may also face financial and reputational risks as a result of customer complaints, which might arise from matters such as inadequate communications or historic or current customer treatment in relation to certain products offered by the Group and the Virgin Money Group.

As part of the demerger from the National Australia Bank Limited ("**NAB**") group of companies (the "**NAB Group**"), NAB and the Company entered into a conduct indemnity deed on 2 December 2015 under which NAB agreed to provide the Group with an indemnity in respect of certain costs and liabilities (including financial penalties imposed by a regulator) resulting from certain historic conduct liabilities in the period prior to completion of the demerger (the "**Capped Indemnity Deed**" and the "**Capped Indemnity**", respectively) relating to the business of the Group. As at the completion of the demerger, the cover provided by the Capped Indemnity stood at £1.115 billion. The full amount of the remaining Capped Indemnity was drawn down in the first half of 2018 and there are no further funds available to the Group to utilise under the Capped Indemnity Deed. Since that point, all further PPI related costs are fully borne by the Group.

In line with the rest of the industry the Group continues to experience high volumes of PPI information requests and complaints, both from customers and via claims management companies. As a result of this and the time bar on new PPI complaints after 28 August 2019, the level of provision that was considered appropriate to meet current and future expectations in relation to the mis-selling of PPI policies was accordingly reassessed. As a result, in its Interim Financial Report for the six months to 31 March 2019, the Group increased its provisions for legacy PPI costs by £30 million, recognising a charge of £30 million (pre-tax). The Group also recognised additional costs of £3 million for other less significant conduct related matters.

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

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

It is possible that the Group will be subject to further claims relating to historic or future conduct matters which amount to a material capital exposure for the Group. Exposure to such claims may exceed the provisions of the Group which could have a material adverse effect on the Group's balance sheet. Such claims could therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.19 The Group is subject to risks associated with its dependence on mortgage intermediaries and third-party service providers for certain functions

The Group depends on a number of third-party providers for a variety of functions including, *inter alia*, for mortgage intermediation, information technology ("IT") software and platforms, "automated teller machine" ("ATM") services, payment system services, mobile application services, debit and credit card production and operational services and cheque processing services. Consequently, the Group relies on the continued availability and reliability of these service providers. If its contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standard, it will be required to identify and implement alternative arrangements and it may not find an alternative third-party provider or supplier for the services, on a timely basis, on equivalent terms or without incurring a significant amount of additional costs or at all. Virgin Money's credit card business is currently reliant on a number of Virgin Money's key relationships, including with Total System Services, Inc. (which provides customer servicing capabilities). In addition, Virgin Money's investments and pensions business is reliant on a number of key relationships, including DST Financial Services (which provides fund administration) and State Street (which provides fund management and custodial services). Following the acquisition of Virgin Money, the Group could be impaired in the event of a failure of these third party systems or technology platforms, which could cause temporary service outage. These factors could cause a material disruption in the Group's operations and ability to service customers and could have a material adverse financial or reputational impact on it. It may result in a higher risk premium being applied to the Group and adversely impact

the cost of funding its operations, or its financial condition and could give rise to claims by customers for financial loss experienced and/or regulatory sanctions.

In maintaining and growing its mortgage portfolio, the Group relies on a number of intermediaries in the mortgage lending market, which exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. If a major intermediary partner goes out of business or switches allegiance to other lenders, this may adversely affect the Group's lending volume. The Group is also exposed to the risk that its relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors. Intermediaries may not support or may be deterred by the rebranding of the Company's business and/or the ongoing use of the "Virgin Money" brand, which may adversely impact the Group. In addition, the intermediaries' incentives may not always align with the Group's, which could lead to a deterioration in the quality and performance of the Group's mortgage book. As the Group seeks to actively grow the volume of mortgages introduced by intermediaries, its exposure to those risks increases.

In addition, the structure of the intermediary market is also subject to change, for example, there may be a change in customer sentiment or regulation which favours customers dealing directly with financial institutions which would reduce the flow of business from intermediaries which may have an adverse impact on the Group if this business cannot be substituted. Also, there may be consolidation in the intermediary market which may change the behaviour of the residual intermediaries in ways which may adversely impact the Group. Any of these factors could have a negative impact on the Group's ability to meet its strategic objectives for its asset base and, consequently, its business, financial condition, results of operations and/or prospects.

In addition, if mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of the Group's mortgage products, the Group's brands and/or reputation could be harmed as a result. Reputational damage to the Group's brands caused by the failure of a third-party supplier may also adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities.

1.20 **The Group is subject to risks associated with customer and counterparty non-performance**

Credit risk is the risk of loss of principal or interest stemming from a borrower's failure to meet contractual obligations to the Group in accordance with the terms agreed. The Group has exposures to many different products, counterparties and obligors whose credit quality can have a significant adverse impact on the Group's business, results of operations, financial condition and prospects. Retail and SMEs lending activities account for most of the Group's credit risk. As at 31 March 2019, mortgage lending comprised 83 per cent. of the Group's customer loan portfolio, SME loans comprised 10 per cent. and unsecured personal lending (including personal loans, credit cards and overdrafts) comprised the balance.

Other sources of credit risk include but are not limited to the extension of credit commitments and guarantees, the holding of investments for liquidity purposes (including UK gilts), inter-bank transactions, letters of credit and trade financing, derivative transactions entered into for hedging purposes, foreign exchange transactions, placing of deposits, acceptances and the settlement of transactions.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This exposes the Group to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. A deterioration in the economic conditions in the UK could have an adverse impact on the Group's financial performance and position. Other factors that could have an adverse impact include further financial market dislocation which could

lead to falling confidence, increasing refinancing risk and contagion risk amongst market participants, counterparties and customers.

In the ordinary course of its operations, the Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

Further, there is a risk that, despite the Group's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic factors or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment charges or a negative impact on fair value in the Group's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.21 The Group is exposed to the risk of customers who have interest-only owner-occupied mortgage loans are unable to repay their loans in full at maturity

The Group provides mortgages to customers to enable them to purchase property for owner occupation. Such mortgages may be provided on a capital repayment basis, where the loan is repaid during its life, or on an interest-only basis, in which case the customer pays interest during the term of the mortgage loan with the principal balance being required to be repaid in full at maturity. In respect of owner occupied interest-only mortgage customers, assessments of capital repayment strategies may be incomplete or out-of-date and consequently, the Group may lack information to accurately evaluate the related repayment risk. As a result, it may have reduced visibility of future repayment issues in respect of its interest-only residential mortgages, which could limit the Group's ability to estimate and establish provisions to cover exposures resulting from these mortgages.

While property sale is an acceptable method of repayment for buy-to-let mortgages, owner-occupied mortgage customers taking out interest-only mortgages are required by regulation to have capital repayment strategies. Where such repayment strategies are inadequate or have not been executed as planned, the Group is exposed to the risk that the outstanding principal balance on interest-only loans for owner-occupied mortgages is not repaid in full at the contractual maturity date. The Group provides a variety of solutions to support customers in such instances, but these solutions may not always result in customers being able to repay their loans or to continue to service the interest payments where the capital sum remains outstanding. Where the solutions are unsuccessful there may be increased impairment charges on the Group's owner-occupied mortgage portfolio which could have a material adverse effect on its profitability. The risk increases if, at the maturity of the loan, the customer is no longer in paid employment and is relying on reduced sources of income, such as pension income or unemployment benefits, to continue to meet the loan interest payments and agreed capital repayments.

1.22 Concentration of credit risk could increase the Group's potential for significant losses

Substantially all of the Group's assets and business is related to customers in the UK, and in the case of mortgages, there are concentrations in Greater London, the rest of the South of England, the North of England and Scotland. Each geographic region within the United Kingdom has different economic features and prospects. Any downturn in a local economy or particular industry may adversely affect regional employment levels and consequently the repayment ability of borrowers in respect of mortgage or other loans in a region that relies to a greater extent on that industry. In the event of adverse economic

conditions, including interest rates and levels of unemployment, in regions within the UK where the Group has significant business or assets, concentrations of credit risk could cause it to experience greater losses than some competitors.

In addition, the Group faces concentration risks relating to its agricultural lending. The Group could be disproportionately impacted compared to some competitors by a deterioration of market conditions in the agricultural sector due to, for example, adverse seasonal weather patterns, falling land prices, global oversupply and volatility in commodity markets, changes in government policy such as reductions to farming subsidies (including, after the UK's withdrawal from the EU, those provided via the EU Common Agricultural Policy), dairy price pressure reducing the profitability of dairy producers or an outbreak of livestock disease such as foot and mouth disease. While the Group regularly monitors its credit portfolios to assess potential concentration risk, efforts to divest, diversify or manage the Group's credit portfolio against concentration risks may not be successful. Concentration of credit risk could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.23 The Group is exposed to risks associated with its IT systems

The Group's IT systems are critical to the operation of its business and the delivery of products and services to its customers. Any disruption in a customer's access to account information, delays in making payments, an inability to make cash withdrawals at the Group's ATMs or a failure of online or mobile banking platforms could have a significant negative effect on its reputation and could also lead to potentially large costs both to rectify the issue and to reimburse losses incurred by customers. In addition, any defect in the Group's standard documentation or defect in its electronic banking applications or mainframe could be replicated across a large number of transactions before the defect is discovered and corrected. This could significantly increase the cost of remediating the defect.

A range of standard form documentation and automatic banking systems are widely used in the Group's business to process high volumes of transactions. There can be no assurance that the Group's IT systems would support a significant increase in online or mobile traffic or volumes of its operations which are dependent on IT in the short term. In the future, the Group may need to upgrade its IT systems and staffing to meet such demand, which may cause delays to customers and adversely affect its customer service.

As the Group depends on a number of third-party providers for a variety of functions, including payment service provider systems, any disruption in such systems could have a disruptive effect on the Group's operations.

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

Any disruption to the Group's IT systems, including, but not limited to those highlighted above, could have a material adverse effect on its business, financial condition, results of operations and prospects.

1.24 The Group is exposed to risks associated with cyber-enabled crime and fraud

The Group is subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent. Should its intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, there may be a material adverse effect on its business, financial condition, results of operations and prospects.

The Group continues to invest in its information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Group and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. The Group cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. The Group's strategy to increase its digital presence may expose the Group to increased risks associated with cyber-enabled crime and fraud. For more information on its digital strategy, please refer to risk factor entitled "*Risks associated with the Group's digital strategy*".

Any breach in security of the Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brands.

1.25 The Group is subject to risks associated with its hedging and treasury operations, including potential negative fair value adjustments

The Group faces risks related to its hedging and treasury operations. The Group engages in hedging activities, for example in relation to interest rate risk, to limit the potential adverse effect of interest rate fluctuations on its results of operations. The Group's treasury operations have responsibility for managing the interest rate risk that arises through its customer facing business, management of its liquid asset buffer and investment of free reserves and interest rate insensitive deposit balances. Interest rate hedges for both customer assets and liabilities are calculated using a behavioural model. However, the Group does not hedge all of its interest rate, foreign exchange and other risk exposures and cannot guarantee that its hedging strategies will be successful because of factors such as behavioural risk, unforeseen volatility in interest rates or other market prices or, in times of market dislocation, the decreasing credit quality, or unavailability, of hedge counterparties. The Group also has cross currency hedging instruments in place for non-Pounds Sterling funding. If its hedging strategies are not effective, the Group may be required to record negative fair value adjustments. Material losses from the fair value of financial assets would also have an adverse impact on the Group's capital held.

Interest-rate insensitive deposit balances form a significant part of the Group's funding. The current, historically low level of GBP interest rates, coupled with the probability of these rates increasing in advance of any increase in the BoE base rate, means that these balances may generate a higher level of income in the future than they do currently. However, if customer behaviours were to change significantly, these deposit balances may become more volatile and may no longer be suitable for swaps of the current duration, which could have a material adverse effect on the income generated by these balances.

Through its treasury operations, the Group holds liquid assets portfolios potentially exposing the Group to interest rate risk, basis risk and credit spread risk. To the extent that volatile market conditions occur, the fair value of the Group's liquid assets portfolios could fall and cause the Group to record mark to market losses. In a distressed economic or market environment, the fair value of certain of the Group's exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant negative changes in the fair value of the Group's exposures, which could have a material adverse effect on the Group's business, financial condition and results of operations.

1.26 **The Group could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties**

Given the high level of interdependence between financial institutions, the Group is and will be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Whilst highly unlikely, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of its credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, industry payment systems, clearing houses, banks, securities firms and exchanges with whom the Group interacts on a daily basis. Whilst this risk is highly unlikely to materialise, systemic risk could have a very material adverse effect on the Group's ability to raise new funding and on its business, financial condition, results of operations and prospects.

The Group routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other institutional counterparties, resulting in large daily settlement amounts that may give rise to significant credit exposure. In particular, the Group interacts with these financial institutions through a variety of interbank electronic payments systems that underpin clearing and settlement amongst financial institutions. As a result, the Group faces concentration risk with respect to specific counterparties including payment system participants and operators. In addition, the Group has counterparty and operational risk with LCH.Clearnet Limited that acts as a clearing provider, on an arm's-length basis, for central clearing of derivative transactions. A default by, or concerns about, the creditworthiness of these companies or one or more other financial services institutions could therefore adversely impact the Group.

1.27 **A downgrade in the credit rating of the Company, the Bank, Virgin Money and/or any other member of the Group, the UK banking sector or the UK Government may have an adverse effect on the Group's business, results of operations, financial condition and prospects**

Credit ratings are an important reference for market participants in evaluating the Group and its products, services and securities. Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks of the Group, the Notes, the UK banking sector and/or the UK Government. Review activity is based on a number of factors including the Group's financial strength and outlook, the assumed level of UK Government support for the Group in a crisis, the strength of the UK Government, and the condition of the financial services industry and the market generally.

Any future downgrade in the credit rating of the Company, the Bank, Virgin Money and/or any other member of the Group, its respective securities, the UK banking sector or the sovereign rating of the UK could:

- (a) adversely affect the Group's liquidity and competitive position;
- (b) undermine confidence in the Group;
- (c) increase the Group's borrowing costs;
- (d) require amendments to the Group's secured funding programmes; or
- (e) limit the Group's access to wholesale funding from capital markets at commercially acceptable costs or limit the range of counterparties willing to enter into transactions with the Group (including under the Group's secured funding

programmes), as many institutions require their counterparties to satisfy minimum ratings requirements,

and consequently, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.28 The Group's risk management policies and procedures may not be effective in protecting it against all the risks faced by its business, and any failure to manage properly the risks that it faces could harm the Group and its prospects

The management of risks requires, among other things, robust policies and procedures for the accurate identification and control of a large number of transactions and events. Such policies and procedures may not always prove to be adequate in practice against the wide range of risks that the Group faces in its business activities. There is a risk that the Company's existing policies may not adequately cover the nature of the Group's operations due to the introduction of processes or practices that are not currently part of the Group's operating model, thereby leading to losses or a deterioration in performance, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has a range of systems designed to measure and manage the various risks which it faces. Some of these methods are based on historic market and portfolio behaviour and may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to UK Government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Group. Such information may not always be correct, updated or correctly evaluated. In addition, even though the Group constantly measures and monitors its exposures, there can be no assurance that its risk management methods will be effective, including in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's business, financial condition, results of operations and prospects.

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

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit it, its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition, the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Group believes that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Group's employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition and results of operations.

1.30 **The Group is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events**

The Group's business is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the Group, which may result in direct or indirect losses and could adversely impact the Group's business, financial condition, results of operations and prospects. These losses may result from both internal and external events, and risks. Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud, deficiencies in employees' skills, or the Group's ability to attract the skills required or manage poor performance or human error, or other idiosyncratic components of operational risk that are related to the Group's particular size, nature and complexity. External events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, extreme weather events, political, security and social events and failings in the financial services industry. The Group is exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating Virgin Money into the Group, in particular due to problems with migrating data, systems (such as IT systems) or processes.

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

In addition, financial models are used extensively in the conduct of the Group's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may look to implement new operational processes and systems to assist in responding to market developments, such as the move towards the use of open application programming interfaces that enable the secure sharing of user and financial services information with other financial services and third parties ("**Open Banking**") which is designed to enable personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to compare products on the basis of their own requirements and to manage their accounts without having to use their bank, or to reflect changes in regulations, such as the General Data Protection Regulation (Regulation (EU) 2016/679) whereby the Group must be able to report at any time to the ICO all locations where personal identifiable information is stored (for example within systems and databases) and provide a justification of why such personal identifiable information is needed. Due to the scale and complexity of such projects, the Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

While the Group does have operational resilience, IT disaster recovery and business continuity contingency plans in place, these are not, and are not intended to be, a full duplication of the Group's operational systems and premises. Additionally, the Group is exposed to risks associated with an increase in the cost or lack of available insurance provision for the Group (including any run-off policies), which could have an adverse impact on profitability. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any actual or perceived inadequacies, weaknesses or failures in the Group's systems or processes could have a material adverse effect on its business, financial condition, results of operations and prospects. For further information, see the risk factor entitled "*Risks relating to the Group — The amount and quality of the Group's capital is subject to regulatory requirements and market influence*".

1.31 The Group may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate

The preparation of the Group's financial statements require management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS as adopted by the EU. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include financial assets and liabilities at fair value through profit or loss, impairment provisions on credit exposures, deferred tax, PPI redress provision and other conduct related matters, retirement benefit obligations and effective interest rate assumptions. For information on the Group's critical accounting estimates and judgements, see note 1.8 to the financial statements in the Company's 2018 Audited Financial Statements and note 1.3 to the financial statements in the Company's 2019 Interim Financial Report, which are incorporated by reference into this Base Prospectus.

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

The adoption of new accounting standard IFRS 9 'Financial Instruments' is expected to impact all UK financial institutions, including the Group, and is expected to have a material effect on financial statements. The new standard applies to all accounting periods beginning on or after 1 January 2018 and was implemented by the Group with effect from 1 October 2018.

1.32 The Group may fail to attract or retain executives, senior managers or other key employees

The Group's success depends on the continued service and performance of its key employees, particularly its executives and senior managers, and its ability to attract, retain and develop high calibre talent. The Group may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including if they do not identify or engage with the Group's purpose, brand and values, which represents a major component of its overall strategy, or they do not wish to be located or relocate to the Group's key locations. The Group competes for talented people with skills that are in relatively short supply and it may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable to its larger competitors, particularly at more senior levels. The Group may also allocate resources improperly within its newly developed standalone functions or otherwise which could create operational inefficiencies and risks and/or lead to de-motivated senior employees. Each of these factors could have an adverse effect on the Group's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect the Group's business. In addition, external factors such as macro-economic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or

continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There will be a period of uncertainty for individuals, and therefore an increased retention risk, during the pre-completion integration planning phase, during which both the Group and the Virgin Money Group continue to be bound by the strict requirements limiting its or their confirmation, communication or publication of the proposed post-completion organisational structure, plans and potential impact on roles. Following the acquisition of Virgin Money, there may be other factors during the integration phase, until 'end state' model and synergies are achieved, that may also impact retention. Internal restructuring, transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulation 2006, as amended ("**TUPE**") or measures arising from a transfer, collective consultation involving assessment and selection, cultural factors and leadership behaviour or other 'interim' arrangements, may all potentially impact the Group's ability to retain key talent.

1.33 The Group faces risks associated with a failure to manage changes in taxation rates or applicable tax laws, or from a misinterpretation of such tax laws

The Group faces risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, any of which could result in increased charges, financial loss, including penalties, and reputational damage. Any misinterpretation of tax laws that creates the perception that the Group is avoiding or evading tax, or if it is associated with customers that do so, could adversely affect its reputation. The Group operates wholly within the UK. Future actions by the UK Government to adjust tax rates or to impose additional taxes (including particular taxes and levies targeted at the banking industry) could reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's results of operations and financial condition in the future. In addition, the UK has a predominantly self-assessment system for filing of tax returns. All tax returns have been filed by the Group within statutory deadlines, but Her Majesty's Revenue & Customs ("**HMRC**") has the right to enquire into those returns post filing. Generally, an enquiry must be started within 12 months of filing. It is possible that an enquiry may result in a further liability to tax, which, if material, could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

Further details on recent changes to tax laws and tax rates and their impact on the Group is given in notes 2.5 and 3.11 to the financial statements in the 2018 Audited Financial Statements, which are incorporated by reference into this Base Prospectus.

1.34 The Group may be required to increase its contributions to the Yorkshire and Clydesdale Bank defined benefit pension scheme (the "DB Scheme") to fund deficits

The Group is the sponsoring employer of the DB Scheme. This is a defined benefit pension scheme and assets of the DB Scheme are held in a trustee administered fund, operated separately from the Group. Under the DB Scheme, benefits provided are based on employees' years of service and their salaries using either a career average formula or final salary formula. Risk arises from the DB Scheme because from time to time there may be insufficient assets to cover the defined benefit liabilities already built up in the scheme (i.e. there is a deficit in the scheme) and the Group is obliged by legislation and the governing documents of the scheme to fund the liabilities.

Following agreement from the trustees, the DB Scheme closed to new entrants in 2004 and is now closed to the future build-up of benefits for the majority of employees. As of 1 August 2017, the principal pension savings vehicle available to new employees is "Total Pension!", a defined contribution pension scheme under which members now benefit from increased employer contributions. However, a small minority of members of the Yorkshire section of the DB Scheme, who did not provide their individual consent to the changes as

at 31 July 2017, remain active members of the DB Scheme and are required to make a minimum contribution of 15 per cent. of pensionable salary.

Despite these restrictions to new entrants and future accrual, the ongoing financial commitment of the Group to the DB Scheme may increase over time, either because the cost of providing benefits in the future for the remaining active members will increase or because the actuarial funding deficit increases. The actuarial funding deficit of the DB Scheme and the financial commitments of the Group to the DB Scheme are assessed at regular actuarial valuations. Agreement was reached with the DB Trustee on the valuation of the actuarial funding deficit at 30 September 2016, with a calculated deficit of £290 million. In the recovery plan dated 31 July 2017 the Group agreed to contribute £50 million per annum until 31 March 2022 and £55 million in the year to 31 March 2023 to eliminate this deficit. For future valuations it is open to the trustees of the DB Scheme to call for valuations at an earlier date. The assumptions used for the statutory valuation would generally need to be agreed between the Group and the trustees of the DB Scheme although the regulator established under Part 1 of the Pensions Act 2004 (as amended) in the UK has the power to set these in certain circumstances.

The actuarial funding deficit in the DB Scheme can increase because of many factors outside the control of the Group (for example, changes in market conditions or member longevity). If the actuarial funding deficit increases, the Group could be obliged to make additional contributions to the scheme, and/or pay in lump sums and/or set aside additional capital in respect of pensions risk. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.35 The Group faces risk from the impact of climate change

Increasing focus on the effects of climate change may lead to increased costs arising from activities to support stress testing and loss modelling for physical risks coupled with potential additional capital requirements. There is a risk that the transition to a low carbon economy is either not effected quickly enough thereby exacerbating climate risks, or too quickly with the impact of inadvertently choking off parts of the economy and increasing levels of default and loss within certain economic sectors. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2. REGULATORY RISKS

The Group's business is subject to ongoing regulation and associated regulatory risks, including the effects of new and changing laws, rules, regulations, policies, voluntary codes of practice and interpretations of such in the UK and the EU. These laws, rules, and regulations include: (A) prudential regulatory developments; (B) increased regulatory oversight in respect of conduct issues; and (C) industry-wide codes, guidance and initiatives. Each of these has costs associated with it, may significantly affect the way that the Group does business and may restrict the scope of its existing businesses, limit its ability to expand its product offerings or make its products and services more expensive for clients and customers. Developments across any of these three regulatory areas, discussed in greater detail below, could materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance costs, delay, limit or restrict its strategic development and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1 The Group is subject to substantial and changing prudential regulation

The Group faces risks associated with an uncertain and evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Group's borrowing costs and capital requirements could be affected by these prudential regulatory developments, which include: (A) the legislative package implementing the proposals of the Basel Committee (known as Basel III, as updated up to the final reform package issued in December 2017) in the EU and amending and supplementing the existing

Capital Requirements Directive (2013/36/EU) ("**CRD IV**") and other regulatory developments impacting capital, leverage and liquidity positions; and (B) European Union directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms of 15 May 2014, as amended ("**BRRD**"). The EU's implementation of CRD IV and BRRD is supported by level 2 measures (delegated acts and implementing acts, including Regulatory Technical Standards ("**RTS**") and Implementing Technical Standards ("**ITS**")) which the European Commission is empowered to adopt. This includes new delegated acts and RTS proposed as part of proposals to amend CRD IV in November 2016. These measures provide detail to firms on how to comply with obligations under CRD IV and BRRD and are supplemented by level 3 measures (guidelines) issued by the European Banking Authority (the "**EBA**").

On 7 December 2017, the Basel Committee published the final instalments of its Basel III reforms (sometimes referred to as Basel IV). These are intended to enhance risk sensitivity and robustness of standardised approaches, clarify the role of internal models in the capital framework and to implement changes to the design and calibration of the leverage ratio and capital floors. As such, the final Basel III reforms package includes changes to the standardised approach to credit risk and new capital floor requirements. The majority of these reforms are required to be implemented by January 2022 and the output floor has a 5 year transitional period to 2027.

Any future prudential regulatory developments could have a material adverse effect on the Group's business, results of operations and financial condition.

(a) **CRD IV**

CRD IV introduced significant changes in the prudential regulatory regime applicable to banks and bank holding companies with effect from 1 January 2014, including: increased minimum levels of capital and additional minimum capital buffers; enhanced quality standards for qualifying capital; increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and the introduction of a minimum leverage ratio (being the capital measure (the numerator) divided by the exposure measure (the denominator) calculated in accordance with relevant EU legislation) (the "**Leverage Ratio**").

CRD IV requires, on a consolidated basis, each of the Company and the Bank to hold a minimum amount of total regulatory capital of 8 per cent. of risk weighted assets ("**RWAs**"), a minimum amount of Tier 1 Capital of 6 per cent. of RWAs and a minimum amount of common equity Tier 1 capital of 4.5 per cent. of RWAs (the "**Pillar 1 requirements**"). In addition, CRD IV introduced several capital buffers, which are required to be met with common equity Tier 1 capital. The combination of (i) the capital conservation buffer, (ii) the time-varying countercyclical capital buffer, (iii) the higher of (A) the global systemically important institutions buffer or other systemically important institutions buffer and (B) the systemic risk buffer constitutes the "combined buffer".

The capital conservation buffer and the countercyclical capital buffer currently apply to the Group. The countercyclical capital buffer was introduced in the UK in May 2014 and rose from 0 per cent. to be 0.5 per cent. of a bank's total RWA's in June 2018 and rose to 1 per cent. from November 2018. The primary objective of the countercyclical capital buffer is to use a buffer of capital to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. Consequently, the BoE would be expected to change countercyclical capital buffer requirements if it determines that the strength of the UK economy warrants such change. The capital conservation buffer is set at 2.5 per cent. of RWAs and needs to be met with an additional amount of CET1 capital. As set out above, the final Basel III reforms will change the calculation of RWAs.

The combined buffer sits on top of the Pillar 1 requirements. If a bank breaches the combined buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make as well as limiting payments on additional tier 1 instruments.

In addition, the PRA requires the Company to hold extra capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements (the "**Pillar 2A requirements**"). The Pillar 2A requirements sit on top of the Pillar 1 requirements so increase the combined buffer requirements and automatic safeguards. The PRA's framework also enables a PRA capital buffer which is not prescribed under CRD IV. The PRA capital buffer (also known as Pillar 2B requirements) is set by the PRA on a bank-by-bank basis using supervisory judgement informed by the impact of stress scenarios on a bank's capital requirements and resources and taking account where appropriate of other factors including leverage, systemic importance and weaknesses in the bank's risk management and governance. Any increase in the Pillar 1, Pillar 2 requirements, the combined buffer or the PRA capital buffer would increase the capital requirements of the Group which could have a material adverse effect on the Group's business, results of operations and financial condition.

CRD IV requirements adopted in the UK may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA or changes to the way in which the PRA interprets and applies these requirements to UK banks and bank holding companies, following the UK's exit from the EU or otherwise. Such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. Most recently, the text relating to the EU Banking Reforms (CRD V) was published in the Official Journal of the European Union on 7 June 2019 and will enter into force 20 days thereafter. Implementation of the Capital Requirements Directive is expected by December 2020, however, the principal rules brought into force by the amended Capital Requirements Regulation shall apply from two years after entry into force (June 2021).

A market perception or actual shortage of capital issued by the Group could result in regulatory actions, including requiring the Company to issue additional CET1 securities, requiring the Company to retain earnings or suspend dividends or issuing a public censure or the imposition of sanctions or limiting payments on additional tier 1 instruments. This may affect the Group's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to any such shortage, the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders and/or subordinated debt holders, including holders of the Tier 2 Notes may experience a dilution of their holdings or reduced profitability and returns.

(b) ***Recovery and resolution***

The BRRD contains requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the introduction of a bail-in tool).

The BRRD (including the bail-in tool), and the associated FCA and PRA rules, have been implemented in the UK. The BoE and PRA are consulting on a Resolvability Assessment Framework, with full implementation expected by 2021.

The powers referred to in the BRRD include certain powers which overlapped in part with those that were already available in the UK under the Banking Act 2009. The BRRD provides, among other things, for resolution authorities to have stabilisation powers to require institutions and groups to make structural changes to ensure legal and operational separation of "critical functions" from other

functions where necessary or to require institutions to limit or cease existing or proposed activities in certain circumstances. In addition, it provides for preferential ranking on insolvency for certain deposits that are eligible for protection by deposit guarantee schemes (including the uninsured element of such deposits and, in certain circumstances, deposits made in non-EEA branches of EEA credit institutions) in priority to deposits that are not similarly eligible, and introduces a bank funded resolution fund. In the UK, the Banks and Building Societies (Priorities on Insolvency) Order 2018 was published on 19 December 2018 and sets out the new insolvency hierarchy. The BRRD also provides write-down or conversion powers to resolution authorities for such authorities to ensure that relevant capital instruments (including Tier 2 Notes) absorb losses upon, amongst other events, the occurrence of the non-viability of the relevant institution or its parent company or group, as well as a bail-in tool comprising a more general power for resolution authorities to write down (including to zero) the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. If the BoE, as resolution authority, were to exercise such powers in respect of any member of the Group, including the Company or the Bank, then existing shareholders and/or subordinated debt holders, including holders of the Notes, may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses. In addition, in a resolution situation, financial public support will only be available to any member of the Group, including the Company or the Bank, as a last resort after the resolution authorities have assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool. Given that the purpose of resolution tools is to minimise any reliance on financial public support, there can be no assurance that any such financial public support will be forthcoming.

The BoE has made a commitment to parliament that major UK banks will be fully resolvable by 2022. To satisfy this commitment, the PRA and BoE has published consultation papers setting out the proposed 'Resolvability Assessment Framework' for UK banks, with full implementation of the framework required by 2021. The BoE consultation paper sets out how the BoE proposes to assess resolvability, against which it will perform its assurance and publicly disclose the result. The PRA consultation paper contains proposed requirements for banks to carry out realistic assessments of their preparations for resolution, identifying any risks to implementation and their plans to address these. Banks will be required to submit their assessments of their preparation for resolution to the PRA by September 2020 (and every two years following), and to publicly disclose a summary of that assessment from the end of May 2021. This would apply to the largest UK banks with at least £50 billion in retail deposits on an individual or consolidated basis. As part of this framework, the BoE issued its final statement of policy on valuation capabilities to support resolvability in June 2018, Compliance with the policy is required by January 2021. In October 2018, the Implementing Technical Standards ("ITS") with regard to procedures and standard forms and templates, for the provision of information for the purposes of resolution plans for credit institutions, was published in the Official Journal of the European Union. The PRA have stated all non-simplified obligation firms such as the Company and the Bank will be required to submit the templates on an annual basis in accordance with the ITS. The new rules on the Resolvability Assessment Framework may increase compliance costs and may also affect the way in which the Group is perceived by the market which in turn may affect the value of the Notes.

In addition, on 23 November 2016, the European Commission published a comprehensive package of reforms to further strengthen the resilience of EU banks, including amendments to BRRD (BRRD II). The texts relating to such reforms were formally approved by the Council of the European Union on 14 May 2019 and published in the Official Journal of the European Union on 7 June 2019 entering into force 20 days thereafter. Implementation of the Directive is expected by December 2020.

(c) ***Banking Reform Act and structural reform***

The Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"), which implements the measures recommended by Sir John Vickers' Independent Commission on Banking (the "**ICB**"), received Royal Assent on 18 December 2013. The secondary legislation required under the Banking Reform Act and supplementary PRA and FCA rules came into force on 1 January 2019. The rules are typically referred to as "ring-fencing". Both the Company and the Group are in scope for ring-fencing.

Ring-fencing separates retail and SME deposits held by UK banks from wholesale and investment banking activities. The Group has completed activity to achieve compliance. The implementation of ring-fencing has not resulted in materially increased compliance costs given the Group's focus on retail and SME business. However, the introduction of ring-fenced and non-ring-fenced banks may affect the nature of competition within the UK market.

(d) ***FSCS and depositor guarantee scheme***

The FSCS pays compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. As well as compensating customers when regulated firms fail, the FSCS's aim is to promote confidence in the financial system by limiting the system risk that the failure of a single firm might trigger resulting in a wider loss of confidence in the relevant financial sector. The Group is responsible for contributing to the FSCS through a levy. The aim of this levy is to support compensation payments made by the FSCS and to cover management expenses.

The EU directive (2014/49/EU) on deposit guarantee schemes (the "**DGSD**") was adopted by the European Parliament and European Council in April 2014 and implemented into national law by the Deposit Guarantee Schemes Regulations 2015 and certain amendments made to the PRA's depositor protection rules with effect from July 2015. The DGSD ensures that all deposits up to €100,000 are protected through their national deposit guarantee scheme. The rules make provision for, amongst other things, post-event levies with access to funds collected from the UK bank levy, changes to the UK FSCS which introduced, from 3 July 2015, temporary high balance deposit protection up to £1 million for up to six months for certain types of deposits, and increased speed of pay-out. The rules are intended to enable depositors protected by the FSCS to have continuity of access to their accounts during resolution, as well as changes to the existing Single Customer View ("**SCV**") rules. All deposit taking firms subject to the regime are required to produce SCV files in a shortened time period for verification purposes and in the event of default. Firms are also required to update their SCV systems and mark eligible deposits in a way that allows immediate identification of them. Several DGSD disclosure requirements apply to firms as of 1 January 2016, and the rules on SCV and Continuity of Access took effect from 1 December 2016. In October 2016, the PRA introduced a new method for assessing individual banks' FSCS levies.

In November 2015, the European Commission proposed the creation of a European deposit insurance scheme ("**EDIS**"), which would develop the current provisions under the DGSD, to create a single European deposit insurance scheme for deposits, to which banks would be required to contribute. The proposals for this are not yet finalised, and it is unclear when the legislative process on these measures is likely to start. The extent to which these proposals will impact UK banks is therefore currently unclear, given the timeline for the UK's exit from the EU.

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

The BoE has published its policy to implement the BRRD requirement for firms to meet the minimum requirement for own funds and eligible liabilities ("**MREL**"). These rules are designed to ensure firms have sufficient loss absorbing capacity and to ensure continuity of critical functions without making recourse to public funds. MREL is set annually on a case by case basis by the BoE and the requirement for firms to meet MREL is being phased in between 2016 and 2022.

On 13 June 2018, the BoE published indicative data on the MREL requirements for the UK's systemically important banks and building societies, as well as indicative data on the average MREL requirements for certain other non-systemic UK banks and building societies, including the Issuers. The PRA requires these banks and building societies to meet an interim MREL requirement from 1 January 2020 and a final MREL requirement from 1 January 2022 (although the UK's systemically important banks and building societies have needed to comply with the minimum requirements set out in the Financial Stability Board's total loss absorbing capacity ("**TLAC**") term sheet since 1 January 2019). The average interim MREL requirement for the named non-systemic UK banks and building societies (including capital conservation and countercyclical capital buffers) is 21.5 per cent. and the average final MREL requirement for the named non-systemic UK banks and building societies (including capital conservation and countercyclical capital buffers) is 27.9 per cent. The MREL requirements set for each bank and building society will depend on a number of factors, including (but not limited to) changes to the bank or building society and its balance sheet, the preferred resolution strategy applicable to the relevant bank or building society and any change in PRA or international policy that changes the way RWAs or the exposure measure of the leverage ratio is assessed. Final MREL requirements will require consultation with competent authorities and relevant European Union resolution authorities. Accordingly, the indicative MREL requirements published by the BoE are not binding or a definitive determination of future consolidated MREL requirements. The Group expects that from 1 January 2020 until 31 December 2021 it will be required to hold 18 per cent. of risk-weighted assets in the form of MREL and from 1 January 2022, the Group will be subject to an end-state MREL of two times Pillar 1 and Pillar 2A capital. Banks are unable to count capital used in meeting their combined buffer requirements towards meeting their MREL requirement. The Group expects to be designated a domestic systemically important bank under the BoE's leverage ratio framework which may, subject to a three-year transition period, increase MREL requirements. It is difficult to predict the full effect the MREL requirement may have on the Group until MREL has been fully implemented. An increase in the amount of own funds or eligible liabilities required to be issued by the Company and/or other members of the Group, such as the Bank, may increase compliance costs, delay, limit or restrict the execution of the Group's strategy and may have a material adverse effect on the Group's capital structure, business, financial condition and results of operations. MREL will have an impact across the market including potentially affecting the credit rating of the securities issued by the Group (including the Notes) and its competitors and there is a risk that the relative impact may give rise to a reduction in competitiveness of the Group. The BoE issued its consultation on internal MREL in October 2017. This paper consulted on "internal MREL" (instruments that are issued to the resolution entity, such as the Company from other legal entities in a group, such as the Bank) as well as amendments to its previous Statement of Policy to address operational continuity requirements. In June 2018, the BoE issued a new statement of policy in relation to MREL, and published responses to the consultation on internal MREL referred to above. The BoE issued a further policy statement on MREL reporting in June 2018, setting out its expectations for reporting on the minimum requirements for own funds and eligible liabilities.

On 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks. These

proposals (the "**EU Banking Reforms**") amend many of the existing provisions set forth in CRD IV and the BRRD and included provisions relating to MREL. On 14 May 2019 the text was formally approved by the Council of the European Union. The texts were published in the Official Journal of the European Union on 7 June 2019, entering into force 20 days thereafter. Implementation of the Capital Requirements Directive and Banking Recovery and Resolution Directive is expected by December 2020, however, the principal rules brought into force by the amended Capital Requirements Regulation shall apply from two years after entry into force (June 2021). The changes in the approved text include setting higher capital and additional loss absorbing capacity requirements, increasing the powers of the relevant competent authorities and incorporating the regulatory definition of trading activity, standardized and advanced risk weighted assets calculation methodologies for market risk and new standardized risk weighted assets rules for counterparty credit risk. These changes also include phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including changes to relevant accounting standards, which came into force on 1 January 2018 and which resulted in changes to the methodologies which the Group is required to adopt for the valuation of financial instruments.

(f) ***Operational risk capital***

In December 2017, the Basel Committee issued its finalised revisions to the standardised approach for measuring operational risk capital which is used by the Group. The Basel Committee is introducing a statistically superior measure of operational risk, termed the "Business Indicator", which will replace gross income as a key input for determining operational risk capital. In addition, the Basel Committee has removed the differentiation by business-line, which was found not to be a significant risk-driver. Instead, the size of the relevant bank is found to be a significant risk-driver and is incorporated into the new methodology. The changes will have to be transposed into European law (which may continue to apply notwithstanding the UK's departure from the EU, currently scheduled for 31 October 2019) and UK law and so are not expected to apply to the Group until 2022 at the earliest.

These changes, including regulatory changes arising from the Basel capital adequacy reforms, may require the Group to hold additional operational risk Pillar 1 capital which could materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance cost, delay, limit or restrict the execution of its strategy and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(g) ***Credit risk and risk-weighting of assets***

In December 2017, the Basel Committee published the final version of the measures it is taking to improve consistency and comparability in bank capital ratios, and thereby to restore confidence in risk-weighted capital ratios. These measures include: a revision to the standardised (non-modelled) approaches for calculating regulatory capital ratios that will also provide the basis for a capital floor; and reducing the modelling choices in the capital framework when determining internal-model based estimates of credit, market and operational RWAs. The measures form part of the Basel Committee's broader work on reducing variability in RWAs and aim to reduce reliance on external credit ratings; increase risk sensitivity; reduce national discretions; strengthen the link between the standardised approach and the "Internal Ratings Based" ("**IRB**") approach; enhance comparability of capital requirements across banks; and overall ensure the standardised approach continues to be suitable for calculating the capital requirements for credit risk exposures.

At the date of this Base Prospectus, the finalised standards are still required to be transposed into European and UK law and so it is not possible to say with definitive

certainty what impact the changes will have on the Group's capital requirements, capital structure, business, financial condition and results of operations. The initial consultative publications were supported by quantitative impact studies which showed that if the proposals were implemented without any mitigation action, as would be expected to be the case for other banks, it would significantly increase the Group's RWAs and subsequent capital held. The publication issued in December 2017 has incorporated several factors that will alter the outcome should a further quantitative impact study be completed and the increasing certainty around the requirements enables market participants, including the Group to introduce mitigating actions to offset areas where the calculation of RWAs may see an increase. In March 2018, the European Commission published a targeted exploratory consultation on the final reforms.

The main implementation date given by the Basel Committee is 2022. The Basel Committee has also published its final revisions to capital floors, designing a capital floor framework based on standardised approaches. The aim of the proposals being to enhance comparability of capital outcomes, mitigate model risk from banks' internal model approaches and to ensure there is a minimum level of capital across the banking system. As was widely anticipated, the Basel Committee confirmed that the output floor would be set at 72.5 per cent. Implementation of the floor is from 2022, with a 5 year transitional period running to 2027 which will need to be implemented at local level.

The final implementation of these final standards may increase the Group's capital requirements which may have a material adverse effect on the Group's capital structure, business, financial condition and results of operations.

(h) ***Interest rate risk in the banking book and market risk***

The Basel Committee has consulted on supervisory approaches to interest rate risk in the banking book. The updated standard released in April 2016 applies an enhanced disclosure approach based on qualitative statements and the use of six standardised scenarios. The European Commission has made proposals to introduce a revised framework for capturing interest rate risks for banking book positions (within the package of amendments to CRD IV approved by the Council of the European Union on 14 May 2019). In line with the Basel Committee's final standard the amendments include the introduction of: (A) a common standardised approach that institutions might use to capture these risks or that competent authorities may require the institution to use when the systems developed by the institution to capture these risks are not satisfactory, (B) an improved outlier test and (C) disclosure requirements. The EBA published several consultation papers aimed at strengthening the European Pillar 2 framework in October 2017, including proposed changes to existing guidelines on the management of interest rate risk in the banking book arising from non-trading activities. The guidelines apply from 30 June 2019.

The Group is also monitoring the Basel Committee's approach to traded market risk in view of the risk that, although the Group's operations are all related to "banking book" activity, the Basel Committee may require different treatments to be applied to certain products. This is also subject to how Basel Committee requirements are applied in the UK and to all firms rather than just large internationally active banks. The package of proposals on amendments to CRD IV also contained changes to the European framework for market risk, in order to align this with the outcomes of the Basel Committee's review of its approach to traded market risk. The proposals include changes in relation to: derivatives which are classified as "held as trading"; products which are presumed to be included in the trading book; and, treatment of foreign exchange. Institutions are allowed to deviate from the presumption that certain products are trading book instruments but to do so must satisfy the competent authorities that the position is not held with trading intent or does not hedge positions with trading intent. The texts relating to the EU Banking Reforms were published in the Official Journal of the

European Union on 7 June 2019 and will enter into force 20 days thereafter. Implementation of the Directive is expected by December 2020, however, the principal rules brought into force by the amended Capital Requirements Regulation shall apply from two years after entry into force (June 2021).

In March 2018, the Basel Committee published a further consultative document proposing a number of revisions to its January 2016 standard and setting out proposals for a simplified alternative to the revised standardised approach to market risk. The final standard was published in January 2019.

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

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

The PRA published a policy statement on its approach to setting Pillar 2 capital requirements for the banking sector in July 2015. Various updates to this policy statement have been published, with the most recent update published in April 2018. The supervisory statement contains requirements in relation to Pillar 2A methodologies, including the approaches the PRA will use for assessing Pillar 2A capital for credit risk, operational risk, credit concentration risk and pension obligation risk, alongside the existing approaches for market risk, counterparty credit risk and interest rate risk in the non-trading book. It also details the associated data requirements. The PRA also published rules in 2017 to address some of the concerns on differences between the standardised approach and IRB risk weights. The changes allow firms to offset variable Pillar 2A add-ons. The PRA published a consultation paper on the Pillar 2 capital framework in March 2019. The consultation paper proposes to update the framework to reflect continued refinements and developments in setting the PRA buffer.

The principal consequence of the new rules could be an increase in compliance costs for the Group which may have a material adverse effect on the Group's capital structure, business financial conditions and results of operations.

The PRA's framework of final rules and supervisory expectations (which implement the CRD IV rules on liquidity in the UK) have been in place since June 2015. These rules have been supplemented by PRA proposals to establish a UK Pillar 2 liquidity regime, which will work in a similar way to Pillar 2 add-ons for capital. In February 2018, the PRA published a policy statement and statement of policy on Pillar 2 liquidity. The statement of policy outlines the PRA's approach to: the level of application of Pillar 2 liquidity guidance; assessing cash flow mismatch risk; assessing franchise viability risks; assessing intraday liquidity risks; and, assessing Pillar 2 liquidity risks. The policy statement also includes final reporting instructions for Pillar 2 liquidity.

The PRA's final proposals may result in increased liquidity requirements that may have an adverse impact on the Group's financial condition and results of operations.

(j) ***Leverage***

The Financial Policy Committee directed the PRA to implement a leverage ratio framework on 1 July 2015. Following a consultation period, the PRA published policy statement PS27/15 ("Implementing a UK leverage ratio framework") in December 2015. This determined that any PRA regulated bank or building society with retail deposits equal to (or more than) £50 billion (on an individual or consolidated basis) would be in scope. In scope firms are required to meet a 3 per cent. minimum leverage ratio requirement. They are also required to confirm that they hold an amount of CET1 capital that matches (or exceeds) their

countercyclical leverage ratio buffer. In scope firms are also subject to disclosure and reporting requirements in relation to their leverage ratio.

In October 2017, the PRA published Policy Statement 21/17 ("UK leverage ratio: treatment of claims on central banks"). This increased the minimum leverage ratio requirement to 3.25 per cent. of total exposures. It also contained changes to the disclosure and reporting requirements (which came into effect in December 2017). Additionally, in scope firms may exclude central bank claims that are matched by deposits in the same currency (and of the same or longer maturity) from the calculation of total exposure, in relation to leverage ratio calculations.

In November 2018, the PRA published Policy Statement 28/18 ("UK leverage ratio: applying the framework to systemic ring-fenced bodies and reflecting the systemic risk buffer"), confirming that from 1 January 2019 the UK leverage ratio framework would apply on a sub-consolidated basis to ring-fenced bodies in scope. The Group meets the PRA threshold by receiving more than £50 billion in retail deposits and will therefore be in scope of the leverage ratio framework. This may lead to additional costs in relation to compliance and ongoing monitoring that reporting, and disclosure obligations are being met.

2.2 **The Group is subject to substantial conduct regulations and regulatory oversight in respect of conduct issues**

- (a) The Group is exposed to many forms of conduct and/or regulatory risk, which may arise in a number of ways. In particular: certain aspects of the Group's current or past business may be determined by its regulators including the FCA, the PRA, the Payment Systems Regulator ("**PSR**"), Her Majesty's Treasury ("**HMT**"), the FOS, the CMA, the UK ICO or the courts, as not being conducted in accordance with applicable local or potentially, overseas laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. If the Group fails to comply with any relevant regulations, there is a risk of an adverse impact on its business and reputation due to sanctions, fines or other actions imposed by the regulatory authorities. In particular, regulatory and/or other developments in respect of PPI and interest rate hedging products have had, and are likely to continue to have, a material impact on the Group's business;
- (b) the Group may be subject to further allegations of mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in significant costs, which may require provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products. See "*Risks relating to the Group — The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" for further information in relation to complaints and redress from historical sales of financial products and details of the existing provisions;
- (c) the Group may be liable for damages to third parties harmed by the manner in which the Group has conducted one or more aspects of its business.

PPI final deadline and guidance on "Plevin" cases

On 2 March 2017, the FCA published its final rules and guidance on PPI complaints and confirmed a deadline of 29 August 2019 for making new PPI complaints. To encourage consumers to decide whether to complain about PPI before the deadline, the FCA is running a two-year consumer communications campaign, which was launched in August 2017. As a result of this and in line with the industry, the Group is experiencing increased PPI information requests and complaint volumes both from customers and via claims management companies.

The FCA has reached agreement with the industry in relation to the treatment of PPI information requests received between 29 June and 29 August 2019. All such information requests, where PPI is found, are to be automatically converted to complaints by firms. This is to ensure that consumers do not lose the opportunity to make a complaint because the response to their information request straddles the 29 August timebar date.

As a result of both the FCA's communication campaign and the approach to be taken for PPI information requests from 29 June 2019, (a) there may be a need for the Group to significantly increase resources, and (b) the ability of the Group to handle complaints within prescribed regulatory timescales may be affected.

The 2017 final rules and guidance also included rules about how firms should handle complaints in light of the Supreme Court Judgement in *Plevin v Paragon Personal Finance Ltd* [2017] UKSC 23 ("**Plevin**"). The Plevin decision means that consumers may complain about PPI because of the amount of commission that the providers received and that the failure to disclose that commission made the relationship unfair. The rules also required firms to proactively contact customers who had previously been rejected. This exercise was completed by the Group and the impact was minimal.

On 7 November 2018 the FCA published final rules regarding the treatment of regular premium PPI complaints and associated non-disclosure of commission. Again, the impact of these rules is minimal for the Group.

Consumer credit regime

The Group is subject to the consumer credit regime under the FSMA, which regulates a wide range of credit agreements. The regulation of consumer credit pursuant to the Consumer Credit Act 1974 and its related secondary legislation (the "**CCA**") was transferred from the Office of Fair Trading (the "**OFT**") to the FCA in April 2014. Certain secondary legislation made pursuant to the CCA, as well as OFT guidance, has been replaced by FCA rules and guidance set out within the FCA Handbook, although some secondary legislation remains. The FCA has greater powers of enforcement than the OFT had and looks to be taking a more proactive and intrusive approach to the regulation of consumer credit. Along with other credit providers that will need to comply with the FCA requirements applicable to the provision of consumer credit, the Group may come under a greater degree of scrutiny from the FCA, incur additional compliance costs and be subject to potential penalties and other sanctions for non-compliance. In addition, the courts have wide powers to look again at a credit agreement, when the borrower alleges an aspect of it was "unfair", and render such arrangement unenforceable. The FCA conducted a credit card market study (MS 14/6), published in July 2016, in which they established persistent debt as being an endemic problem for UK consumers. Following a consultation (CP 17/10) on this in 2017, the FCA published Policy Statement 18/4 in February 2018, which outlined their approach to this. This included requirements for firms to implement earlier intervention policies for customers prone to persistent debt, and provision of assistance to those customers. The Group delivered these requirements by the regulatory deadline.

Asset Management

The FCA launched a market study into the asset management sector in November 2015, publishing its interim findings in November 2016 and a final report in June 2017. The final report identified a number of concerns in relation to the UK asset management industry, including a concern that there is weak competition in a number of areas in the market. The FCA also expressed concerns as to how asset managers communicate their objectives to customers. The final report also concluded that investors' awareness of charges is often poor and that sustained, high profits have been generated by firms from such charges in this market over a number of years. The FCA has proposed remedies to address some of these concerns and on 5 April 2018 published a policy statement regarding the implementation of final rules and guidance. The remedies included measures to strengthen the rules on authorised fund managers to act in their investors' best interests, governance reforms to hold asset managers to greater account, a

requirement for more independent directors on fund management boards, and more express regulatory requirements on fund managers to consider value for money. The FCA issued final industry guidance on 4 February 2019 in its Policy Statement PS 19/4, which drives improvements in customer protection and governance arrangements.

2.3 **The Group is subject to the potential impacts of UK and European banking and financial services reform initiatives**

(a) ***General Data Protection Regulation***

The European Commission's General Data Protection Regulation came into force on 25 May 2018 and provides a single set of rules on data protection, directly applicable in all EU Member States. The main provisions include a requirement to notify regulators of breaches within 72 hours of identification, increased sanctions including fines of up to four per cent. of an enterprise's annual worldwide turnover and reduced timelines within which firms must respond to subject access requests (within 30 calendar days). In some circumstances, consumers are also able to request deletion of all personal data held by the data controller and third party recipients.

The Group delivered these requirements by the regulatory deadline. This has significantly increased the regulatory burden in relation to the processing of personal customer, employee and other data in the course of business.

(b) ***CMA – Retail Banking Remedies***

The CMA identified features of the personal and business current account and SME lending markets that were not working well and having an adverse effect on competition. On 2 February 2017, the CMA published the Retail Banking Market Investigation Order 2017 (the "**CMA order**") which implements the remedies identified in the CMA Retail Banking Market Investigation final report. These include overdraft alerting, prompts to switch accounts, enhanced service quality and account comparison information. The Group experienced a delay of one month in the implementation of one part of the CMA order in respect of which it received a direction by the CMA. The Group has now implemented all the mandatory parts of the CMA order. Whilst not mandated to implement the Open Banking remedy element of the CMA order, the Group is working to introduce APIs to facilitate access by third party payment providers ("**TPPs**"), in line with the standards being produced by the Open Banking Implementation Entity. This will also enable the Group to adhere to requirements under the Payment Services Directive 2 (see the paragraph entitled "*Payment Services Directive 2*" below). Aspects of the CMA Open Banking remedy may have an adverse impact on strategic positioning in relation to sales of personal current accounts. Therefore, the Group is looking to progress elements of the Open Banking remedy as part of a wider suite of digital enhancements, in addition to facilitating TPP access as required under Payment Services Directive 2.

(c) ***Payment Services Directive 2 ("PSD2")***

EU Member States were required to transpose PSD2 into national law by 13 January 2018. A key element of PSD2 is that it promotes the emergence of new parties, such as TPPs and requires account servicing payment providers, such as banks, to provide appropriate access and information to these new parties to enable customers to access the new and innovative services TPPs will provide (e.g. account aggregation).

HMT published the UK Payment Services Regulations ("**PSRs**") on 19 July 2017 (the PSRs came into full effect on 13 January 2018 with certain provisions having taken effect on 13 August 2017). The FCA's updated approach to regulating the PSRs and its final handbook changes were published in September 2017. The changes which were introduced are material and the introduction of

new players brings a risk of disintermediation. The Group is currently considering its strategic options in relation to the opportunities and threats presented. Other elements of PSD2, including increased security for online payment transactions and secure access to TPPs, will come into force on 14 September 2019. The Group has a project mobilised to implement these changes which will include a significant programme of customer communications. This will help to ensure customers are prepared for the impact of these additional security processes and minimise the impact on customer e-commerce and online banking journeys. In common with the industry more widely, there are challenges in meeting all the elements of PSD2 on time, resulting in a breach of the regulation and consequently may attract adverse regulatory scrutiny.

(d) ***Payment Accounts Directive***

The Payment Accounts Directive ("**PAD**"), which came into force in September 2014, introduced measures that banks, and other payment service providers must comply with including facilitation of account switching and ensuring basic bank accounts are available to all EU consumers. These elements were implemented on time in September 2016. The Group has also implemented changes to customer facing documents reflecting the use of mandatory standard terminology in relation to payment accounts. These changes were implemented by 31 October 2018. The residual elements of PAD require the provision of a statement of fees for all eligible payment accounts by 31 October 2019. There is a risk that this timeline is not achieved which would result in a breach of the relevant regulations and consequently adverse regulatory scrutiny.

(e) ***Mortgage Credit Directive***

The Mortgage Credit Directive (the "**MCD**") came into effect on 20 March 2014 and Member States were required to transpose it into national law by 21 March 2016. The MCD introduced changes to the way in which residential mortgages and consumer buy-to-let mortgages were to be sold, how the annual percentage rate of interest was to be calculated, advertising rules and further requirements for qualifications. These elements were implemented by the 21 March 2016 regulatory deadline. The remaining elements of the MCD were required to be implemented by 21 March 2019. This included changes to the sales illustration for regulated mortgage contracts (changing from a Key Facts illustration to a European Standard Information Sheet), and ceasing to rely on experience alone as an indicator of competency but are introducing a framework to ensure all staff involved in the manufacture or granting of regulated mortgage contracts hold relevant qualifications. These elements were implemented by the regulatory deadline.

(f) ***Markets in Financial Instruments Directive II***

The Markets in Financial Instruments Directive has been comprehensively revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. MiFID II, which came into force on 3 January 2018, imposes significant changes in a number of areas including commodity derivatives, transparency, market structure, organisational requirements, conduct of business rules and transaction reporting. The Group delivered these requirements by the regulatory deadline. There were additional requirements that came into force in April 2018 and June 2018 which have been implemented.

(g) ***Packaged Retail and Insurance-Based Investment Products Regulation***

The PRIIPs Regulation requires those producing or selling packaged retail investment products and insurance based investment products to produce key information documents ("**KIDs**") to make it easier for retail investors to compare products. The PRIIPs Regulation came into force on 1 January 2018. The Group delivered these requirements by the regulatory deadline.

(h) ***European Market Infrastructure Regulation***

The European Market Infrastructure Regulation (EU) No 648/2012 ("**EMIR**") was adopted by the European Parliament and European Council on 4 July 2012. It provides a regulatory framework for reporting of information about derivative transactions to trade repositories, mandatory clearing of standardised over-the-counter ("**OTC**") derivatives, margin posting and other risk mitigation obligations in respect of OTC derivatives, authorisation and supervision of central counterparties used for mandatory clearing, and registration and supervision of trade repositories used for reporting. The Group is subject to reporting, clearing and margining obligations which are in force and implemented. Changes to reporting obligations came into force and were implemented on 1 November 2017.

These regulations have been reviewed as part of the European Commission's Regulatory Fitness and Performance Programme (REFIT) and the amendments to EMIR come into force on 17 June 2019. Should the Group's implementation of these new requirements prove ineffective, there is an increased risk of non-compliance which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(i) ***Benchmark Regulation***

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

The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied since 1 January 2018 with the exception of various provisions specified in Article 59 which have applied since 30 June 2016 and 3 July 2016.

The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (A) requires benchmark administrators to be authorised or registered by the competent authority of the Member State where such administrator is located (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (B) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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. Such factors may have the following effects on certain "benchmarks": (A) discourage market participants from continuing to administer or contribute to the "benchmark"; (B) trigger changes in the rules or methodologies used in the "benchmark"; or (C) lead to the disappearance or obsolescence of the "benchmark" or cause such "benchmarks" to perform differently than in the past (as a result of a change in methodology or otherwise). 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 or referencing a "benchmark".

Should the Group's implementation of requirements prove ineffective, there is an increased risk of non-compliance which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(j) ***Securities Financing Transaction Regulation***

The Securities Financing Transaction Regulation ("**SFTR**") (Regulation (EU) 2015/2365) requires all securities financing transactions ("**SFTs**") to be reported to trade repositories, places additional reporting requirements on investment managers and introduces prior risk disclosures and written consent before assets are reused. Drafted by the European Parliament in 2015 and approved in 2017, SFTR was adopted by the European Commission (EC) in December 2018.

The go live date will be implemented in stages depending on company types. Go live for banks is expected for Q2 2020, with investment firms, insurance companies and funds to be under scope of SFTR during Q3 and Q4 of 2020. Non-financial firms trading SFTs will be the last to fall under SFTR, with the regulation capturing them in 2021. Should the Group's implementation of the requirements prove ineffective, there is an increased risk of non-compliance which could result in adverse regulatory scrutiny.

(k) ***High Cost Credit Review***

The FCA launched its High Cost Credit Review in November 2016 to identify patterns and sources of harm to consumers across high cost credit products. It identified arranged and unarranged overdrafts as areas for further review and intervention. The FCA published its final rules for competition remedies and consulted on its pricing and repeat use remedies in December 2018. Final rules on pricing and repeat use were confirmed in June 2019. Competition remedies will require to be implemented by 18 December 2019, with pricing and repeat use remedies to be implemented by 6 April 2020. The new rules will require the Group to review the current pricing structure of overdrafts. This is likely to have a negative impact on the Group's operating income. The Group has established a project to manage these mandatory changes. This a significant piece of work, both in terms of technology change and customer communication. An Industry Agreement around Current Account Prompts was also linked to this piece of work, and the Group implemented the required changes in advance of the 31 May 2019 implementation date.

(l) ***Price Discrimination in the Cash Savings Market***

The FCA published a Discussion Paper on price discrimination in the cash savings market in July 2018. The Discussion Paper seeks views on the harm caused by price discrimination between new and long-standing customers and what actions, if any, should be taken. The FCA has set out a range of possible remedies, including its preferred policy option of introducing a basic savings rate ("**BSR**"). The BSR option would apply to all easy access cash saving accounts and easy access cash ISAs after they have been open for a set period of time, such as a year. A consultation paper is expected to be published in the second half of 2019.

(m) ***CMA 'loyalty penalty' super-complaint***

Citizens Advice submitted a super-complaint to the CMA in September 2018 calling on the regulator to investigate the overcharging of 'loyal' customers in 5 essential markets (mobile, broadband, home insurance, mortgages and savings) and to identify remedies to fix this problem. Citizens Advice believes that the practice of overcharging loyal customers is widespread and it has repeatedly warned that loyal consumers are being disadvantaged. The CMA published an initial response to the super-complaint in December 2018. This included recommendations to the FCA, where work is currently underway, including the FCA review on the impact of price discrimination in the cash savings market (see

the paragraph entitled "Price Discrimination in the Cash Savings Market" above). In mortgages, the FCA published the outcome of its Mortgage Market Study in March 2019 and as a result of its findings is currently consulting on remedies to tackle those who cannot switch in this market (i.e. 'mortgage prisoners') by helping these customers move onto better tariffs, where feasible. The FCA is also looking closely at insurance pricing practices in its current market study. The CMA will review progress in the five markets over the next 12 months. Depending on the outcome of this review, the CMA may call for further action regarding the approach to pricing for existing customers.

(n) ***Cross Border Payment Regulation II***

On 14 February 2019, the European Parliament voted to adopt the proposal for amending the Regulation on cross-border payments which will require Payment Service Providers to; (1) align fees for cross-border payments in euro in the EU (e.g. credit transfers, card payments, cash withdrawals) with charges for corresponding domestic payments made in the currency of the Member State; and, (2) inform consumers of the cost of a currency conversion before they make a payment abroad in a different currency to their home one. The rules on equal charges for national and cross-border payments will apply from 15 December 2019 and will require a reduction in the charges applied to cross border payments in euro resulting in reduced income. A project is being mobilised to implement the changes.

(o) ***Contingent Reimbursement Model***

The Payment Systems Regulator has asked the industry to sign up to a voluntary Authorised Push Payment ("APP") Contingent Reimbursement Model (the "CRM") code which will offer greater protections to victims who met a specified level of care.

The CRM brings about a change in liability for customer reimbursement with the default position being that a victim of APP scam should be reimbursed unless they did not meet the required level of care – currently most APP victims are not reimbursed. Payment Service Providers ("PSP") will be liable for the cost of the customer reimbursement as either a sending or receiving PSP. Moreover, a number of additional provisions are made in the code including, but not limited to, changes to the payment journey; changes to the claims handling process; and implementation of evidentiary standards with regards to actions taken to prevent and detect fraud.

The original APP Steering Group members had committed to a voluntary code go live date of 28 May 2019. However, as the Group was not a member of this Steering Group it, together with a number of other PSPs, has committed to implementing the code at a future date, expected to be in 2020.

(p) ***Confirmation of Payee***

Confirmation of Payee is intended to provide end users of a payment system (customers) greater assurance that payments are being sent to the intended recipient. Where traditionally sort codes and account numbers have been used as the unique account identifiers, Confirmation of Payee will introduce name checking that can help to prevent payments from being misdirected. It is also intended to act as an effective warning system for customers if the beneficiary does not match and place a barrier in the way of fraudsters who may be attempting APP scams.

The industry test date is currently 19 November 2019, ahead of a 1 January 2020 launch date.

(q) ***Financial Ombudsman Service re-definition of gross negligence related to unauthorised payments***

The Financial Ombudsman Service (FOS) confirmed to all banks and financial institutions that they are viewing negligence and payment authorisation, authentication and consent differently when assessing fraud scam complaints. Consequently, it is highly likely that FOS will overturn historic no refund decisions for victims of 'sophisticated' account takeover scams, where unauthorised, fraudulent payments are made following the customer providing security credentials to fraudsters. FOS may also allow for retrospective claims to be made.

3. **RISKS RELATING TO THE NOTES**

3.1 **Risks related to the structure of the Notes**

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

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

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

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

Furthermore, unless, in the case of any particular Tranche of Senior Notes, the relevant Final Terms specify that the Notes are redeemable at the option of the Noteholders, Noteholders will have no right to request the redemption of the Notes

and should not invest in the Notes in the expectation that the relevant Issuer would exercise its option to redeem the Notes.

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

Tier 2 Capital Notes will constitute unsecured and subordinated obligations of the relevant Issuer. On a Winding-Up, all claims in respect of such Notes will rank junior to the claims of all Senior Creditors of the relevant Issuer. On 19 December 2018, Her Majesty's Treasury published the Banks and Building Societies (Priorities on Insolvency) Order 2018 (the "**2018 Order**"), which implements Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms of 15 May 2014, as amended ("**BRRD**") as regards the ranking of unsecured debt instruments in insolvency hierarchy. The 2018 Order splits a financial institution's non-preferential debts into classes, and provides that ordinary non-preferential debts (including Senior Notes) will rank ahead of secondary non-preferential debts and tertiary non-preferential debts. Tier 2 Capital Notes would constitute tertiary non-preferential debts under the terms of the 2018 Order, and therefore both ordinary and secondary non-preferential debts would continue to rank ahead of claims in respect of the Tier 2 Capital Notes.

If, on a Winding-Up, the assets of the relevant Issuer are insufficient to enable the relevant Issuer to repay the claims of more senior-ranking creditors in full, the holders of the Tier 2 Capital Notes will lose their entire investment in the Tier 2 Capital Notes. If there are sufficient assets to enable the relevant Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Tier 2 Capital Notes and all other claims that rank *pari passu* with the Tier 2 Capital Notes, holders of the Tier 2 Capital Notes will lose some (which may be substantially all) of their investment in the Tier 2 Capital Notes. See "*Risk Factors — Risks relating to the Notes generally — Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Notes*" below.

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

Payment of principal and accrued but unpaid interest on the Tier 2 Capital Notes, or on any Series of Senior Notes if specified in the relevant Final Terms, shall be accelerated only upon the occurrence of a Winding-up Event. There is no right of acceleration in the case of non-payment of principal or interest on the Tier 2 Capital Notes, or on any Series of Senior Notes if specified in the relevant Final Terms, or of the relevant Issuer's failure to perform any of its obligations under or in respect of the Tier 2 Capital Notes, under or in respect of any Series of Senior Notes if specified in the relevant Final Terms.

A Winding-up Event results if (1) a court of competent jurisdiction in England (or such other jurisdiction in which the relevant Issuer may be incorporated) makes an order for the winding-up of the relevant Issuer which is not successfully appealed within 30 days of the making of such order or the relevant Issuer's shareholders adopt an effective resolution for the winding-up of the relevant Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation the terms of which, have previously been approved in writing by the Trustee or by an Extraordinary Resolution of holders of Notes and do not provide that the Notes thereby become redeemable or repayable in accordance with the Conditions); or (2) following the appointment of an administrator of the relevant Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or (3) liquidation or

dissolution of the relevant Issuer or any procedure similar to that described in (1) or (2) above is commenced in respect of the relevant Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

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

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

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

The Company is a holding company that currently has no significant assets other than its loans to, and investments in, its subsidiaries, such as the Bank, which means that if any such subsidiary is liquidated, the Company's right to participate in the assets of such subsidiary will depend upon the ranking of the Company's claims against such subsidiary according to the ordinary hierarchy of claims in insolvency. So, for example, insofar as the Company is a holder of ordinary shares in one of its subsidiaries, the Company's recovery in the liquidation of such subsidiary will be subject to the prior claims of such subsidiary's third party creditors and preference shareholders (if any). To the extent the Company holds other claims against any of its subsidiaries that are recognised to rank *pari passu* with any third party creditors' or preference shareholders' claims, such claims of the Company should in liquidation be treated *pari passu* with those third party claims.

As well as the risk of losses in the event of a subsidiary's insolvency, the Company may suffer losses if any of its loans to, or investments in, such subsidiary are subject to write-down and conversion by statutory power or regulatory direction or if the subsidiary is otherwise subject to resolution proceedings. See "*Risk Factors — Risks relating to the Notes generally — Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Notes*" below. The Company has in the past made, and may continue to make, loans to, and investments in the Bank and its other subsidiaries with the proceeds received from the Company's issuance of debt instruments. Such loans to, or investments in, such subsidiary by the Company will generally be subordinated to depositors and other unsubordinated creditors and may be subordinated further to meet regulatory capital requirements and

furthermore may contain mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or such subsidiary, or upon regulatory direction, would result in a write-down or conversion into equity of such loans and investments.

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

The regulatory capital treatment, and otherwise the ranking in the ordinary insolvency hierarchy, of the Company's claims against a subsidiary will affect the extent to which the Company is exposed to losses if such subsidiary enters into resolution proceedings or is subject to write-down or conversion of its capital instruments or other liabilities. In particular, the Banking Act 2009, as amended (the "**Banking Act**") specifies that the resolution powers should be applied in a manner such that losses are transferred to shareholders and creditors in an order which reflects the hierarchy of issued instruments under CRD IV and which otherwise respects the hierarchy of claims in an ordinary insolvency, as described above. See *"The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in Holders losing some or all of their investment"* below for a discussion of the new Creditor Hierarchy Directive. In general terms, the more junior in the capital structure the investments in, and loans made to, any subsidiary are, relative to third party investors, the greater the losses likely to be suffered by the Company in the event any subsidiary enters into resolution proceedings or is subject to mandatory write down or conversion of its capital instruments or other liabilities.

Furthermore, as a result of the structural subordination of the Notes (including Senior Notes) issued by the Company, if any subsidiary were to be wound up, liquidated, dissolved or were subject to resolution proceedings (1) the holders of Notes would have no direct recourse against such subsidiary, and (2) Holders themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the stabilisation powers — see *"Risk Factors — Risks relating to the Notes generally — Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Notes"* below.

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

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

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

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

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

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

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

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

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

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

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

- (j) ***Market disruption***

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

the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

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

(k) ***Discontinuation of LIBOR and other benchmarks***

On 27 July 2017, the Chief Executive of the UK Financial Conduct Authority, which regulates the London Interbank Offered Rate ("**LIBOR**"), announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the "**FCA Announcement**"). Further, on 12 July 2018 the FCA announced that LIBOR may cease to be a regulated benchmark under the Benchmark Regulation. The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom, the United States or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities -see "*The market continues to develop in relation to Notes that reference SONIA*" below.

For Notes which are linked to any affected benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to such benchmark may adversely affect such benchmark rates during the term of such Notes and the return on such Notes and the trading market for such Notes. The potential elimination of any benchmark, or changes in the manner of administration of any benchmark or the occurrence of any other event that the relevant Issuer determines to be a Benchmark Event (as defined in the Conditions), or a determination by the relevant Issuer that a Successor Rate (as defined in the Conditions) may be available, could require or result in an adjustment to the interest provisions of the Conditions as determined by an Independent Adviser or the relevant Issuer (as further described in the Conditions), or result in other consequences, in respect of any Notes linked to such benchmark. The circumstances which can lead to the trigger of a Benchmark Event (as described in the Conditions) are beyond the relevant Issuer's control and the subsequent use of a Successor Rate or an Alternative Benchmark Rate following such Benchmark Event may result in changes to the Conditions and/or interest payments that are lower than or that do not otherwise correlate over time with the payments that could have been made on such Notes if the relevant benchmark remained available in its current form. Furthermore, if the relevant Issuer is unable to appoint an Independent Adviser or an Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Benchmark Rate or Adjustment Spread in accordance with the Conditions, the relevant Issuer may have to exercise its discretion to determine (or to elect not to determine) a Successor Rate or an Alternative Benchmark Rate or Adjustment Spread, if applicable. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the relevant Issuer to meet its obligations under Notes linked to a benchmark or could have a material adverse effect on the value or liquidity of, and the amount payable under such Notes. Investors should consider these matters when making their investment decision with respect to such Notes.

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

On 29 November 2017, the Bank of England and the FCA announced that the Bank of England's Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the following four years across sterling bond, loan and derivatives markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. 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 Conditions and used in relation to Notes that reference a SONIA rate issued under this Programme. The Issuers may in the future also issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued by the Issuers under the Programme. The development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under 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 immediately prior to the first day of the relevant Suspension Period (as applicable and in each case as defined in the Conditions) 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-linked Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 13 (*Events of Default*), the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

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

Since SONIA is a relatively new market index, Notes linked to SONIA may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SONIA, such as the spread over the index reflected in interest rate

provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA does not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SONIA may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. There can also be no guarantee that SONIA will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Notes referencing SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes.

3.2 Risks relating to the Notes generally

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

(a) ***Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Notes***

The majority of the requirements of the BRRD (including the bail-in tool) were implemented in the UK by way of amendments to the Banking Act. For more information on the bail-in tool, see "*Risks relating to the Notes generally — The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in Holders losing some or all of their investment*" below.

(b) ***The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the relevant Issuer could materially adversely affect the value of the Notes***

Under the Banking Act, substantial powers are granted to the BoE (or, in certain circumstances, HMT), in consultation with the PRA, the FCA and HMT, as appropriate as part of a special resolution regime (the "SRR"). These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or investment firm and certain of its affiliates (currently including the Issuers) (each a "relevant entity") in circumstances in which the relevant UK resolution authority is satisfied that the resolution conditions are met. Such conditions include that a UK bank or investment firm is failing or is likely to fail to satisfy the FSMA threshold conditions for authorisation to carry on certain regulated activities (within the meaning of Section 55B of the FSMA) or, in the case of a UK banking group company that is an EEA or third country institution or investment firm, that the relevant EEA or third country relevant authority is satisfied that the resolution conditions are met in respect of such entity.

The SRR consists of five stabilisation options: (A) private sector transfer of all or part of the business or shares of the relevant entity; (B) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the BoE; (C) transfer to an asset management vehicle wholly or partly owned by HMT or the BoE; (D) the bail-in tool (as described below); and (E) temporary public ownership (nationalisation).

The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Notes), powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be

invoked as a result of the exercise of the resolution powers and powers for the relevant UK resolution authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

- (c) ***Holders should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort after the relevant UK resolution authorities have assessed and used, to the maximum extent practicable, the resolution tools, including the bail-in tool (as described below)***

The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of any Notes and could lead to Holders losing some or all of the value of their investment in the Notes. The SRR is designed to be triggered prior to insolvency of the relevant Issuer, and Holders may not be able to anticipate the exercise of any resolution power (including the bail-in tool) by the relevant UK resolution authority.

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

Although the Banking Act provides specific conditions to the exercise of any resolution powers and, furthermore, the EBA's guidelines published in May 2015 set out the objective elements for the resolution authorities to apply in determining whether an institution is failing or likely to fail, it is uncertain how the relevant UK resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the relevant Issuer and/or other members of the Group and in deciding whether to exercise a resolution power.

The relevant UK resolution authority is also not required to provide any advance notice to Holders of its decision to exercise any resolution power. Therefore, Holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the relevant Issuer, the Group and the Notes.

- (d) ***Holders may have only very limited rights to challenge the exercise of any resolution powers (including the UK bail-in tool) by the relevant UK resolution authority***

Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its resolution powers (including the UK bail-in tool) or to have that decision reviewed by a judicial or administrative process or otherwise.

- (e) ***The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in Holders losing some or all of their investment***

Where the relevant statutory conditions for use of the bail-in tool have been met, the relevant UK resolution authority would be expected to exercise these powers without the consent of the Holders. Any such exercise of the bail-in tool in respect of the relevant Issuer and the Notes may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of the Notes into shares or other Notes or other obligations of the relevant Issuer or another person, or any other modification or variation to the terms of the Notes.

The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in tool contains an express safeguard (known as "**no creditor worse off**") with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity. Among other proposals, the amendments to BRRD and CRD IV Regulation proposed by the European Commission on 23 November 2016 were related to the ranking of unsecured debt instruments on insolvency hierarchy and resulted in the adoption of EU directive 2017/2399 on 12 December 2017 (the "**Amendment Directive**"). The Amendment Directive introduced a new layer in insolvency for ordinary, long-term, unsecured debt-instruments issued by credit institutions and financial institutions within their consolidation perimeter that are established within the EU. In the UK, the 2018 Order referred to above was published on 19 December 2018 and set out the new insolvency hierarchy. Further, the Minimum Requirement for Own Funds and Eligible Liabilities ("**MREL**"), which is being implemented in the EU and the UK, will apply to EU and UK financial institutions and cover capital and debt instruments that are capable of being written-down or converted to equity in order to prevent a financial institution from failing in a crisis. The Bank of England has set the interim MREL compliance date of 1 January 2020 for the Company and the Bank, and a final MREL compliance date of 1 January 2022.

The exercise of the bail-in tool in respect of the relevant Issuer and the Notes or any suggestion of any such exercise could materially adversely affect the rights of the Holders, the price or value of their investment in the Notes and/or the ability of the relevant Issuer to satisfy its obligations under the Notes and could lead to Holders losing some or all of the value of their investment in such Notes. In addition, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly.

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

In addition, the Banking Act requires the relevant UK resolution authority to permanently write-down, or convert into equity, tier 1 capital instruments and tier 2 capital instruments (such as the Tier 2 Capital Notes) at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such capital instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to capital instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant UK resolution authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity or its parent entity or group will no longer be viable unless the relevant capital instruments are written down or converted or the relevant entity requires extraordinary public support without which, the relevant UK resolution authority determines that the relevant entity would no longer be viable.

Holders of Tier 2 Capital Notes may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment.

The exercise of such mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of Holders of Tier 2 Capital Notes, the price or value of their investment in such Notes and/or the ability of the relevant Issuer to satisfy its obligations under such Notes.

The proposed Resolvability Assessment Framework could increase compliance costs and impact market perceptions of the Issuers and/or the Group and in turn affect the value of the Notes

The BRRD contains requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the introduction of a bail-in tool).

The BRRD (including the bail-in tool), and the associated FCA and PRA rules, have been implemented in the UK. The Bank of England and the PRA are consulting on a resolvability assessment framework (the "**Resolvability Assessment Framework**"), with full implementation expected by 2021.

The Bank of England has made a commitment to parliament that major UK banks will be fully resolvable by 2022. To satisfy this commitment, the PRA and the Bank of England have published consultation papers setting out the proposed Resolvability Assessment Framework for UK banks, with full implementation of the framework required by 2021. The Bank of England consultation paper sets out how the Bank of England proposes to assess resolvability, against which it will perform its assurance and publicly disclose the result. The PRA consultation paper contains proposed requirements for banks to carry out realistic assessments of their preparations for resolution, identifying any risks to implementation and their plans to address these. Banks will be required to submit their assessments of their preparation for resolution to the PRA by September 2020 (and every two years following), and to publicly disclose a summary of that assessment from the end of May 2021. This would apply to the largest UK banks with at least £50 billion in retail deposits on an individual or consolidated basis including the Group. As part of this framework, the Bank of England issued its final statement of policy on valuation capabilities to support resolvability in June 2018. Compliance with the policy is required by January 2021. In October 2018, the Implementing Technical Standards ("**ITS**") with regard to procedures and standard forms and templates, for the provision of information for the purposes of resolution plans for credit institutions, was published in the Official Journal of the European Union. The PRA have stated all non-simplified obligation firms such as the Group will be required to submit the templates on an annual basis in accordance with the ITS. The new rules on the Resolvability Assessment Framework may increase compliance costs and may also affect the way in which the Issuers and/or the Group is perceived by the market which in turn may affect the value of the Notes. See: *Regulatory Risks – Recovery and resolution*.

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

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

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

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Notes. The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, any change in law or regulation that triggers a Tax Event, a Regulatory Event or a Loss Absorption Disqualification Event would entitle the Issuers, at its option (subject to, amongst other things, receipt of the prior consent of the Competent Authority (if such consent is then required by the Capital Regulations)), to redeem the Notes, in whole but not in part, as provided under Condition 9(C) (*Redemption for Tax Event*), 9(D) (*Redemption for Regulatory Event*) or 9(E) (*Redemption for Loss Absorption Disqualification Event*), as the case may be.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's and may therefore affect the Issuers', performance and financial condition. For example, on November 23, 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks (the "**EU Banking Reforms**") which proposals amend many of the existing provisions set forth in CRD IV and the BRRD. On May 14, 2019 the text was formally approved by the Council of the European Union. The changes in the approved text include setting higher capital and additional loss absorbing capacity requirements, increasing the powers of the relevant competent authorities and incorporating the regulatory definition of trading activity, standardised and advanced risk weighted assets calculation methodologies for market risk and new standardised risk weighted assets rules for counterparty credit risk. These changes also include phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including changes to relevant accounting standards, which came into force on January 1, 2018 and which resulted in changes to the methodologies which the Group is required to adopt for the valuation of financial instruments. The text relating to the EU Banking Reforms was published in the Official Journal of the European Union on 7 June 2019 and will enter into force on 27 June 2019. The majority of the rules are expected to apply from 18 months after that date, however, the principal rules brought into force by the amended Capital Requirements Regulation shall apply from two years after that date. See: *Regulatory Risks – Minimum requirement for own funds and eligible liabilities*.

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

Tranches of Notes issued under the Programme may be rated by credit rating agencies and may in the future be rated by additional credit rating agencies, although the Issuers are under no obligation to ensure that any Notes issued by them under the Programme are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market,

additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the relevant Issuer and/or, if applicable, the Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the relevant Issuer's strategy and management's capability; the relevant Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Group's key markets; the level of political support for the industries in which the Group operates; and legal and regulatory frameworks affecting the relevant Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to an issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting an issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to an issuer and/or its securities. Revisions to ratings methodologies and actions on the Company's ratings or a Bank's ratings by the credit rating agencies may occur in the future.

If the relevant Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the relevant Issuer or the Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the relevant Issuer or, if applicable, the Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Notes (whether or not the Notes had an assigned rating prior to such event).

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

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

While the Notes are represented by one or more Global Notes or, as the case may be, Global Certificates, the relevant Issuers will discharge its payment obligations under the Notes by making payments to the common depositary or, for Global Notes that are NGN and Global Certificates to be held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg or, as appropriate, the Custodian for DTC. A holder of a beneficial interest in a Global Note or Unrestricted Global Certificate must rely on the procedures of the relevant Clearing System or, in the case of Restricted Global Certificates, DTC, to receive

payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Restricted Global Certificates.

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

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

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

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

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

3.3 **Risks relating to the market generally**

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

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

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

may be limited if large allocations of a particular Tranche of Notes are made to a limited number of investors.

(b) ***The trading market for debt securities may be volatile and may be adversely impacted by many events***

The market for debt securities issued by the Issuers is influenced by economic, political and market conditions. If the secondary market for the Notes is limited, there may be few buyers, and this may reduce the relevant market price of the Notes. There can be no assurance that events in the United Kingdom or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect on the Notes.

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

1. **Interpretation**

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

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

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

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

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

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

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

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

"**Business Day**" means:

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

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

- (A) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

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

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

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

"CMS Rate" means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at (A) the Determination Time specified in the relevant Final Terms or (B) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, all as determined by the Calculation Agent;

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

"Competent Authority" means the United Kingdom Prudential Regulation Authority or any successor or replacement thereto or such other authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the

United Kingdom, such other jurisdiction) having primary responsibility for the prudential oversight and supervision of the Issuer and/or the Group;

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

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

"CRD IV" means the legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time, and the CRD IV Regulation;

"CRD IV Regulation" means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time;

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

(A) if **"Actual/Actual (ICMA)"** is so specified, means:

- (1) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
- (2) where the Calculation Period is longer than one Regular Period, the sum of:
 - (a) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(B) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(C) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;

(D) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31, in which case D₂ will be 30,

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

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

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

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

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

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

"**Excluded Change**" means any amendment to, or change in, the Loss Absorption Regulations to implement the proposals (other than the Excluded Proposal) in the form originally announced by the European Commission on 23 November 2016 in order to further strengthen the resilience of EU banks (the "**Proposals**") or, if the Proposals have been amended as at the Issue Date of the first Tranche of Notes of the relevant Series, in the form as so amended as at such date;

"**Excluded Proposal**" means the proposal for Article 72b(2)(o) contained in the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 announced by the European Commission on 23 November 2016 requiring the contractual

provisions of eligible liabilities to require that, where the resolution authority exercises write down and conversion powers in accordance with Article 48 of Directive 2014/59/EU, the principal amount of such eligible liabilities will be written down on a permanent basis or such eligible liabilities will be converted to Common Equity Tier 1 instruments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Interest Determination Date" shall mean:

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

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

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

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

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

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

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

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

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such

currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

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

"**Loss Absorption Regulations**" means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom, the Competent Authority, the Resolution Authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom and applicable to the Company and/or the Group including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Competent Authority and/or the Resolution Authority from time to time (whether or not such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Company or to the Group);

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

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

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

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

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

"Mid-Swap Floating Leg Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or the Reference Rate as specified in the relevant Final Terms;

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

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

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

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

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

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

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

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

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

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

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

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

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

"Parity Securities" has the meaning given in Condition 3(B)(1) (*Tier 2 Capital Notes*);

"Payment Business Day" means:

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

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

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

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

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

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

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

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

"Reference Banks" (A) in the case of Notes other than Reset Notes and Floating Rate Notes where the Reference Rate is CMS Rate, has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate; (B) in the case of Floating Rate Notes where the Reference Rate is CMS Rate, (1) where the Reference Currency is euro, the principal office of four leading swap dealers in the Eurozone inter-bank market, (2) where the Reference Currency is pounds sterling, the principal London office of four leading swap dealers in the London inter-bank market, (3) where the Reference Currency is U.S. dollars, the principal New York City office of four leading swap dealers in the New York City inter-bank market, or (4) in the case of any other Reference Currency, the principal Relevant Financial Centre office of four leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Issuer; and (C) in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none (1) in the case of the calculation of a Mid-Market Swap Rate, four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute or (2) in the case of the calculation of a Benchmark Gilt Rate, four brokers of gilts and/or gilt-edged market makers as selected by the Issuer on the advice of an investment bank of international repute;

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

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

"Regular Period" means:

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

Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

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

"Relevant Date" means, in relation to any payment, whichever is the later of (A) the date on which the payment in question first becomes due and (B) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

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

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

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

"Relevant Swap Rate" means:

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

- (C) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (D) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice;

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

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

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

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

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

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

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

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

"Resolution Authority" means the Bank of England or any successor or replacement thereto or such other authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the recovery and/or resolution of the of the Issuer and/or the Group;

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

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

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

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

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

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

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

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

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

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

"Talon" means a talon for further Coupons;

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

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

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

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

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

"Winding-Up" means if:

- (A) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);
- (B) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or
- (C) liquidation or dissolution of the Issuer or any procedure similar to that described in (A) or (B) above is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009;

"Winding-Up Event" means with respect to the Notes, if (1) a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer may be incorporated) makes an order for the winding-up of the Issuer which is not successfully appealed within 30 days of the making of such order or the Issuer's shareholders adopt an effective resolution for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation the terms of which, have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Holders and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions); or (2) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or (3) liquidation or dissolution of the Issuer or any procedure similar to that described in (1) or (2) above is commenced in respect of

the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009; and

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

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

- (1) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (2) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (3) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (4) any reference to principal shall be deemed to include the Redemption Amount, (in the case of Senior Notes only) any Additional Amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (5) any reference to interest shall be deemed to include any Additional Amounts which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (6) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (7) if an expression is stated in Condition 1(A) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "Not Applicable" then such expression is not applicable to the Notes; and
- (8) any reference in these Conditions to any legislation (whether primary legislation or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

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

- (A) **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (B) **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (C) **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (D) **Title to Registered Notes:** The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Certificate will be numbered serially with an identifying number

which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

- (E) **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.
- (F) **Transfers of Registered Notes:** Subject to Conditions 2(J) (*Closed periods*) and 2(K) (*Regulations concerning transfers and registration*), a Registered Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (G) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (H) **Registration and delivery of Certificates:** Within five business days of the surrender of a Certificate in accordance with Condition 2(F) (*Transfers of Registered Notes*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(H) (*Registration and delivery of Certificates*), "**business day**" means a day on which commercial banks and foreign exchange markets settle payments generally in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (I) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

- (J) **Closed periods:** Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes or once notice of redemption of the Notes has been given in accordance with Condition 9 (*Redemption and Purchase*).
- (K) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.
- (L) **No exchange:** Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

3. **Status**

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

(A) **Senior Notes**

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

(B) **Tier 2 Capital Notes**

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

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

- (1) at least *pari passu* with all claims of holders of all other subordinated obligations of the Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith ("**Parity Securities**"); and
- (2) in priority to the claims of holders of:
 - (a) all obligations of the Issuer which rank or are expressed to rank, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which rank or are expressed to rank, junior to the claims in respect of the Tier 2

Capital Notes and any related Coupons, including (without limitation) obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and

(b) all classes of share capital of the Issuer

(together, the "**Junior Securities**").

Nothing in this Condition 3(B) (*Tier 2 Capital Notes*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

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

"**Order**" means Banks and Building Societies (Priorities on Insolvency) Order 2018;

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

"**secondary non-preferential debts**" shall have the meaning given to it in the Ranking Legislation;

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

(C) **No set-off**

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

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

4. **Fixed Rate Note Provisions**

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

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

5. Reset Note Provisions

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

payable, in each case, in arrear on each Interest Payment Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Reset Note Provisions*) (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received

by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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

- (D) **Fallback – Mid-Swap Rate:** Where the Reset Rate is specified as "Mid-Swap Rate" in the relevant Final Terms and if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question.

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

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

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

- (F) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

- (G) **Publication:** The Calculation Agent will cause each Rate of Interest determined by it and any other amount(s) required to be determined by it together with the relevant payment date(s), to be notified to the Issuer, the Paying Agents, the

Trustee and each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but in (in the case of each Rate of Interest and Interest Payment Date) not later than the relevant Reset Date. Notice thereof shall also be given to the Noteholders in accordance with Condition 19 (*Notices*) as soon as possible after the determination or calculation thereof.

- (H) **Notifications etc.:** All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Reset Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 5 (*Reset Note Provisions*).

6. **Floating Rate Note Provisions and Benchmark Replacement**

- (A) **Application:** This Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and, in respect of Condition 6(G) (*Benchmark Replacement*) only, if the Floating Rate Note Provisions or the Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (B) **Accrual of interest:** The Notes bear interest from (and including), the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) (as well after as before judgment) until (and including) whichever is the earlier of (1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (2) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (C) **Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and other than Floating Rate Notes which reference SONIA:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate specified in the relevant Final Terms is not the CMS Reference Rate or SONIA, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 6(G) (*Benchmark Replacement*) and 6(H) (*Maximum or Minimum Rate of Interest*)) be determined by the Calculation Agent on the following basis:
- (1) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (2) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear

interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

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

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

- (3) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (4) if, in the case of (1) above, such rate does not appear on that page or, in the case of (3) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (a) request each of the Reference Banks to provide to the Calculation Agent a quotation of the Reference Rate as at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (b) determine the arithmetic mean of such quotations; and
- (5) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

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

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

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

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

(E) Screen Rate Determination for Floating Rate Notes which reference SONIA

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate specified in the relevant Final Terms is SONIA, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 6(G) (*Benchmark Replacement*) and Condition 6(H) (*Maximum or Minimum Rate of Interest*) and subject as provided below) be Compounded Daily SONIA plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.

For the purposes of this Condition 6(E):

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

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

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

"d_o" means, for the relevant Interest Period, the number of London Banking Days in such Interest Period;

"i" means, for the relevant Interest Period, a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in such Interest Period to and including, the last London Banking Day in such Interest Period;

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

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

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

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

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

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

Notwithstanding the paragraph above, and without prejudice to Condition 6(G) (*Benchmark Replacement*), in the event of the Bank of England publishing guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent shall, in consultation with the Issuer, follow such guidance in order to determine the SONIA rate, for purposes of the Notes, for so long as the SONIA rate is not available or has not been published by the authorised distributors.

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

(F) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the relevant Final Terms;
- (2) the Designated Maturity is a period specified in the relevant Final Terms;
- (3) the relevant Reset Date is either (a) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (b) in any other case, as specified in the relevant Final Terms; and
- (4) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (a) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (b) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

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

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

(G) **Benchmark Replacement:** In addition, notwithstanding the provisions above in this Condition 6 or Condition 5 (*Reset Note Provisions*), if the Issuer determines that a Benchmark Event has occurred or there is a Successor Rate, in either case when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate or Mid-Swap Floating Leg Benchmark Rate, then the Issuer may elect (acting in good faith and in a commercially reasonable manner) to apply the following provisions:

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

the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

- (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if the Issuer determines that there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(G) (*Benchmark Replacement*)); *provided, however*, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date or Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or Reset Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period or Reset Period (as applicable) (or alternatively, if there has not been a first Interest Payment Date or Reset Date (as applicable), the rate of interest shall be the Initial Interest Rate) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period or Reset Period (as applicable) for the Margin that is to be applied to the relevant Interest Period or Reset Period (as applicable)); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(G) (*Benchmark Replacement*);
- (iv) if the Independent Adviser (in consultation with the Issuer) or (if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine whether an Adjustment Spread should be applied) the Issuer (acting in good faith and in a commercially reasonable manner) determines that an Adjustment Spread should be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Rate or Alternative Reference Rate (as applicable); *provided, however*, that if the Independent Adviser or the Issuer (as applicable) is unable to determine, prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable), the quantum of, or a formula or methodology for determining such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread; for the avoidance of doubt, the proviso in this sub-paragraph (iv) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(G) (*Benchmark Replacement*);
- (v) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in each case, any Adjustment Spread in accordance with the above provisions,

the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, Reset Determination Date, Reset Determination Time and/or the definition of Reference Rate or Mid-Swap Floating Leg Benchmark Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate, the Alternative Reference Rate (as applicable) and/or the Adjustment Spread. For the avoidance of doubt, the Trustee and Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(G) (*Benchmark Replacement*). Noteholder consent shall not be required in connection with implementing the Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread or such other changes, including for the execution of any documents, amendments or other steps by the Trustee or Principal Paying Agent (if required); and

- (vi) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread, give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate, Alternative Reference Rate (as applicable) and/or any Adjustment Spread and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate or Adjustment Spread, and any other related changes to the Notes, shall be made in accordance with the relevant Capital Regulations (if applicable) and shall not prejudice qualification of the Tier 2 Capital Notes as Tier 2 Capital.

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

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

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

acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

- (iv) if no such industry standard is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

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

"Benchmark Event" means:

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

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

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

- (i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, or any other central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, (b) any other central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate, (c) a group of the aforementioned central banks or other supervisory authorities, (d) the International Swaps and Derivatives Association, Inc. or any part thereof, or (e) the Financial Stability Board or any part thereof; and
- (iii) **"Successor Rate"** means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) (for the avoidance of doubt, whether or not such Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) has ceased to be available) which is formally recommended by any Relevant Nominating Body.

- (H) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (I) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose, a **"sub-unit"** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (J) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, the Trustee and each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant

Interest Period. Notice thereof shall also be given to the Noteholders in accordance with Condition 19 (*Notices*) as soon as possible after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (K) **Notifications etc.:** All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 6 (*Floating Rate Note Provisions and Benchmark Replacement*).

7. Zero Coupon Note Provisions

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

8. Fixed/Floating Rate Notes

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

9. Redemption and Purchase

- (A) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the

Maturity Date, subject as provided in Conditions 10 (*Payments - Bearer Notes*) and 11 (*Payments - Registered Notes*) (as applicable).

- (B) **Redemption at the option of the Issuer:** Subject to Condition 9(L) (*Restriction on Early Redemption or Repurchase of the Notes*), if the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19 (*Notices*) and to the Trustee, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the applicable amount specified in the relevant Final Terms (together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date (Call)) at the Optional Redemption Amount (Call).
- (C) **Redemption for Tax Event:** Subject to Condition 9(L) (*Restriction on Early Redemption or Repurchase of the Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time at their Early Redemption Amount (Tax), together with any accrued but unpaid interest to the date fixed for redemption, provided that:
- (1) the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Noteholders in accordance with Condition 19 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption; and
 - (2) immediately before giving such notice, the Issuer has determined that as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which the Relevant Jurisdiction is a party, or any change in the official application of those laws or regulations which change or amendment becomes effective on or after the Issue Date of the first Tranche of Notes of the relevant Series, including a decision of any court or tribunal which becomes effective on or after the Issue Date of the first Tranche of Notes of the relevant Series:
 - (a) the Issuer has paid, or will or would on the next Interest Payment Date be required to pay, Additional Amounts as provided or referred to in Condition 12 (*Taxation*);
 - (b) the Issuer is not, or would not be, entitled to claim a deduction in computing its taxable profits and losses in respect of interest payable on the Notes, or such a deduction is or would be reduced or deferred;
 - (c) the Issuer is not, or would not be, as a result of the Notes being in issue, able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist);
 - (d) the Issuer would be required to bring into account any amount of income, profit or gain or other tax credit or taxable item for tax purposes, or any other liability to tax would arise, in respect of the write-down or conversion of the Notes into shares, or both as a result of the exercise of any regulatory powers (including, under the Banking Act 2009);

- (e) in the case of Tier 2 Capital Notes, the Issuer would, in the future, have to bring into account a taxable credit if the principal amount of the Notes were written down or converted; or
- (f) in the case of Tier 2 Capital Notes, the Issuer will have to treat the Notes of such Series or any part thereof as a derivative or an embedded derivative for United Kingdom tax purposes,

(each a "**Tax Event**").

Prior to giving notice of redemption in accordance with this Condition 9(C) (*Redemption for Tax Event*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions for redeeming the Notes pursuant to this Condition 9(C) (*Redemption for Tax Event*) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Noteholders and all other interested parties as correct, conclusive, binding and sufficient evidence thereof.

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

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

Prior to giving notice of redemption in accordance with this Condition 9(D) (*Redemption for Regulatory Event*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions for redeeming the Notes pursuant to this Condition 9(D) (*Redemption for Regulatory Event*) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive, binding and sufficient evidence thereof.

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

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

Prior to giving notice of redemption in accordance with this Condition 9(E) (*Redemption for Loss Absorption Disqualification Event*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions for redeeming the Notes pursuant to this Condition 9(E)

(*Redemption for Loss Absorption Disqualification Event*) have been met. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive, binding and sufficient evidence thereof.

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

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

- (F) **Redemption at the option of Noteholders:** In the case of any Series of Senior Notes only, if the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice (which notice shall be irrevocable) at the relevant Optional Redemption Amount (Put) together with any accrued but unpaid interest to (but excluding) such date. No Series of Tier 2 Capital Notes shall contain a Put Option. In order to exercise the option contained in this Condition 9(F) (*Redemption at the option of Noteholders*), the Holder of a Note must, not less than 30 days nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with any unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or the Registrar (as the case may be) with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(F) (*Redemption at the option of Noteholders*), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar (as the case may be) shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or the Registrar (as the case may be) in accordance with this Condition 9(F) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent or the Registrar (as the case may be) shall be deemed to be the Holder of such Note for all purposes. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 9(B) (*Redemption at the option of the Issuer*), 9(C) (*Redemption for Tax Event*) or 9(G) (*Partial redemption*) and any exercise of the first-mentioned option in such circumstances shall have no effect.
- (G) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 9(B) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and the notice to Noteholders referred to in Condition 9(B) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant

Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

- (H) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(A) (*Scheduled redemption*) to 9(G) (*Partial redemption*) above.
- (I) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (1) the Reference Price; and
 - (2) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

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

- (J) **Purchase:** Subject to Condition 9(L) (*Restriction on Early Redemption or Repurchase of the Notes*) and notwithstanding Condition 3 (*Status*), the Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise, provided that all unmatured Coupons are purchased therewith.
- (K) **Cancellation:** All Notes which are redeemed pursuant to this Condition 9 (*Redemption and Purchase*) will be cancelled. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, cancelled.
- (L) **Restriction on Early Redemption or Repurchase of the Notes:** Notwithstanding any other provision in this Condition 9 (*Redemption and Purchase*), the Issuer may only redeem or repurchase the Notes (and give notice thereof to the Holders if required) pursuant to Conditions 9(B) (*Redemption at the option of the Issuer*), 9(C) (*Redemption for Tax Event*), 9(D) (*Redemption for Regulatory Event*), 9(E) (*Redemption for Loss Absorption Disqualification Event*) or 9(J) (*Purchase*) if:
 - (1) it has obtained the Competent Authority's and/or the Resolution Authority's prior permission for the redemption or repurchase of the Notes, if and to the extent such permission is required by the Capital Regulations at such time;
 - (2) in the case of any redemption or repurchase of Notes, if and to the extent then required by the Capital Regulations at such time, either: (a) the Issuer has, earlier than or at the same time as such redemption or repurchase, replaced the Notes with own funds instruments or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer (as determined by the Competent Authority in accordance with the Capital Regulations); or (b) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the Issuer would, following such redemption

or repurchase, exceed its minimum capital requirements (including any capital buffer requirements) and eligible liabilities requirements by a margin that the Competent Authority considers necessary in accordance with the Capital Regulations at such time;

- (3) in respect of any redemption of Tier 2 Capital Notes proposed to be made prior to the fifth anniversary of the Issue Date of the first Tranche of such Tier 2 Capital Notes pursuant to Condition 9(C) (*Redemption for Tax Event*) or 9(D) (*Redemption for Regulatory Event*), if and to the extent required by the Capital Regulations at such time, (a) in the case of a redemption following the occurrence of a Regulatory Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Tier 2 Capital Notes was not reasonably foreseeable as at the relevant Issue Date of the first Tranche of such Tier 2 Capital Notes; or (b) in the case of a redemption following the occurrence of a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable as at the Issue Date of the first Tranche of such Tier 2 Capital Notes; and
- (4) the Issuer has complied with any other requirements contained in the Capital Regulations then in force which relate to the redemption or repurchase of the Notes.

10. **Payments - Bearer Notes**

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

- (A) **Principal:** Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (B) **Interest:** Payments of interest shall, subject to Condition 10(H) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10(A) (*Principal*).
- (C) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (1) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due; (2) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (3) payment is permitted by applicable United States law.
- (D) **Payments subject to fiscal laws:** Save as provided in Condition 12 (*Taxation*), payments in respect of the Bearer Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its Paying Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(E) ***Deductions for unmatured Coupons:*** If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable, and a Bearer Note is presented without all unmatured Coupons relating thereto:

- (1) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (2) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this Condition 10(E)(2)(a) (*Deductions for unmatured Coupons*) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

(F) ***Unmatured Coupons void:*** If the relevant Final Terms specify that the Reset Note Provisions are applicable or that the Floating Rate Note Provisions are applicable, on the due date for redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(B) (*Redemption at the option of the Issuer*), 9(C) (*Redemption for Tax Event*), 9(D) (*Redemption for Regulatory Event*), 9(E) (*Redemption for Loss Absorption Disqualification Event*) or 9(F) (*Redemption at the option of Noteholders*) or 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

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

(H) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 10(C) (*Payments in New York City*)).

- (I) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (J) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments - Registered Notes**

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

- (A) **Principal:** Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (B) **Interest:** Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (C) **Payments subject to fiscal laws:** Save as provided in Condition 12 (*Taxation*), payments in respect of the Registered Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (D) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (1) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (2) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (E) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.
- (F) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place

of the Registrar's Specified Office on the 15th day before the due date for such payment (the "**Record Date**").

12. **Taxation**

- (A) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts on payments of principal and interest (in the case of Senior Notes) or on payments of interest but not principal (in the case of Tier 2 Capital Notes) ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them in respect of principal and interest (in the case of Senior Notes) or in respect of interest only (in the case of Tier 2 Capital Notes) had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:
- (1) held by or on behalf of a Holder, which is liable to such Taxes in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction other than the mere holding or ownership of the Note or Coupon;
 - (2) where (in the case of a payment of principal or interest on redemption) the relevant Note or Coupon or Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had presented or surrendered the relevant Note or Coupon or Certificate on the last day of such period of 30 days; or
 - (3) where the Holder of the relevant Note or Coupon failed to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the relevant jurisdiction of such Holder, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the relevant jurisdiction as a condition to relief or exemption from such taxes.
- (B) **FATCA:** For the avoidance of doubt, any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and the Issuer will not be required to pay Additional Amounts on account of any FATCA Withholding Tax.

13. **Events of Default**

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

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

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

- (1) *Non-payment*: if any principal or interest on the Senior Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment, provided that the Issuer shall not be in default if it satisfies the Trustee during the 14 or 7 day period (as applicable) that such sums were not paid in order to comply with any mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers acceptable to the Trustee;
- (2) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Senior Notes or the Trust Deed and that breach has not (in the opinion of the Trustee) been remedied within 30 days of receipt of a written notice from the Trustee certifying that in its opinion the breach is materially prejudicial to the interests of the holders of such Senior Notes and requiring the same to be remedied; or
- (3) *Winding-up etc.*: a Winding-up Event occurs.

At any time after any Series of Senior Notes shall have become due and repayable in accordance with this Condition 13(A) (*Events of Default*), the Trustee may at its discretion and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Senior Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), without further notice, institute such proceedings or take such steps or actions as it may think fit against the Issuer to enforce payment.

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

- (1) If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), without further notice:
 - (a) *Non-payment*: if any principal or interest on the Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment, institute proceedings in a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer is organised) (but not elsewhere) for the winding-up of the Issuer and/or prove and/or claim in a Winding-Up, provided that the Issuer shall not be in default if it satisfies the Trustee during the 14 or 7 day period (as applicable) that such sums were not paid in order to comply with any mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability

of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers acceptable to the Trustee; or

- (b) *Limited remedies for breach of other obligations (other than non-payment)*: institute such proceedings against the Issuer as it may think fit to enforce any term, obligation or condition binding on the Issuer under the Notes or the terms of the Trust Deed (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest) (a "**Performance Obligation**"); provided always that the Trustee (acting on behalf of the Noteholders but not the Trustee acting in its personal capacity under the Trust Deed) and the Noteholders shall not enforce, and shall not be entitled to enforce or otherwise claim against the Issuer, any judgment or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving and/or claiming for such Monetary Judgment in a Winding-Up.

Nothing in this Condition 13(B)(1) (*Events of Default*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

- (2) If a Winding-Up Event occurs, the Trustee at its discretion may and, if so requested in writing by the holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) declare the Notes to be due and repayable immediately (and the Notes shall thereby become so due and repayable) at their Early Termination Amount together with any accrued but unpaid interest as provided in the Trust Deed and payments are subject to the subordination provisions set out in Condition 3 (*Status*).

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

No Holder of any Notes or related Coupons (if any) shall be entitled to institute any of the proceedings or take the steps or actions referred to in Condition 13(A) or 13(B) (*Events of Default*) or to prove and/or claim in a Winding-Up, except that, if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so or, being able to prove in such Winding-Up, fails to do so, in each case within a reasonable period, and in each such case such failure shall be continuing, then any such Holder may itself institute such proceedings and/or prove and/or claim in such Winding-Up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of its Notes and/or Coupons. In the case of (1) any Series of Senior Notes where the relevant Final Terms specify that Condition 13(B) (*Events of Default*) applies and (2) each Tier 2 Capital Notes, no remedy against the Issuer other than the institution of the proceedings referred to above or proving and/or claiming in a Winding-Up, shall be available to the Trustee or the Holders of the Notes whether for the recovery of amounts owing in respect of the Notes or Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or Coupons or under the Trust Deed.

14. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within 10 years of the appropriate Relevant Date.

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

15. **Replacement of Notes and Coupons**

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

16. **Trustee and Agents**

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

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

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

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

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

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

- (A) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions by Extraordinary Resolution,

except that the provisions relating to the Tier 2 Capital Notes shall only be capable of modification in accordance with Condition 17(D) (*Competent Authority Notice or Consent*).

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

In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

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

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

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

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

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

- (D) **Competent Authority Notice or Consent:** The provisions relating to the Tier 2 Capital Notes shall only be capable of modification or waiver in accordance with Condition 17(B) (*Modification and waiver*) and the Issuer of Tier 2 Capital Notes may only be substituted (and where applicable, the governing law of the Notes and/or the Coupons and/or the Trust Deed changed) in accordance with Condition 17(C) (*Substitution*), if the Issuer has notified the Competent Authority of such modification, waiver or substitution (and where applicable, change of governing law, as aforesaid) and/or obtained the prior consent of the Competent Authority, as the case may be (if such notice and/or consent is then required by the Capital Regulations).

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

- (E) **Effect for the Holders:** Any such modification, waiver, authorisation, determination or substitution shall be binding on all the Noteholders and Couponholders of the relevant Series and shall be notified to the holders of Notes of that Series as soon as practicable thereafter in accordance with Condition 19 (*Notices*).
- (F) **Exercise of Trustee's powers:** In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any such modification, waiver, authorisation, determination or substitution as aforesaid) the Trustee shall have regard to the interests of the holders of the Notes of the relevant Series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from the individual Noteholders or Couponholders being

for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

18. **Further Issues**

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

19. **Notices**

- (A) ***Bearer Notes:*** Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (B) ***Registered Notes:*** Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

20. **Rounding**

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

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

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

22. **Governing Law and Jurisdiction**

- (A) ***Governing law:*** The Notes, the Coupons and the Trust Deed, and all non-contractual obligations arising out of or in connection with the Notes, the Coupons and the Trust Deed, are governed by English law.
- (B) ***Jurisdiction:*** The parties to the Trust Deed have (1) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes or the Coupons (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes or

the Coupons); and (2) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS:

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF:

- (A) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU, AS AMENDED ("MIFID II"); OR**
- (B) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, AS AMENDED OR SUPERSEDED, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II.**

CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS AMENDED (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.]

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET:

SOLELY FOR THE PURPOSES OF [THE/EACH] MANUFACTURER['S/S'] PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT:

- (A) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES (ECPS) AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN MIFID II; AND**
- (B) 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.]

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

Final Terms dated [•]

[CYBG PLC

Legal Entity Identifier (LEI): 213800ZK9VGCYYR6O495]

[CLYDESDALE BANK PLC

Legal Entity Identifier (LEI): NHXOBHMY8K53VRC7MZ54]

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

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the base prospectus dated 1 July 2019 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended or superseded and as implemented by any relevant implementing measure in the relevant Member State (the "**Prospectus Directive**"). 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 Base Prospectus.

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

[Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") incorporated by reference in the base prospectus dated [•]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the base prospectus dated [•] [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended or superseded and as implemented by any relevant implementing measure in the relevant Member State (the "**Prospectus Directive**"), save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

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

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

- paragraph [23] below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
 4. Aggregate Principal Amount: [•]
 - [(i)] [Series]: [•]
 - [(ii)] Tranche: [•]
 5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
 6. (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to (and including) [•]. [No Notes in definitive form will be issued with a denomination above [•]]].
 - (ii) Calculation Amount: [•]
 7. (i) Issue Date: [•]
 - (ii) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
 8. Maturity Date: [•]
 9. Interest Basis: [[•] per cent. Fixed Rate]

[Reset Notes]

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

[Floating Rate: CMS Linked Interest]

[Zero Coupon]

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

[Issuer Call]

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

[Not Applicable]
 13. [(i)] Status of the Notes: [Senior]/[Tier 2 Capital Notes]
 - [(ii)] Senior Notes Waiver of Set-off: Condition 3(C) (Status): [Applicable]/[Not Applicable]

[(iii)] Senior Notes Events of Condition 13(B) (*Events of Default*):
Default: [Applicable]/[Not Applicable]

[(iv)] [Date [Board] approval for [•]
issuance of Notes obtained:]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [•]/[and [•]] in each year[, up to and including [•]], commencing on [•]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling on [•]
- (v) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)]
15. Reset Note Provisions [Applicable]/[Not Applicable]
- (i) Initial Rate of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
- (ii) Reset Rate: [Mid-Swap Rate]/[Benchmark Gilt Rate]
- (iii) First Margin: [+/-][•] per cent. per annum
- (iv) Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]¹
- (v) Interest Payment Date(s): [•] [and [•]] in each year up to (and including) the Maturity Date, commencing on [•]
- (vi) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[•] per Calculation Amount]/[Not Applicable]

¹ For Tier 2 Capital Notes and Senior Notes which are intended to count as MREL, the Subsequent Margin shall be equal to the First Margin.

- (vii) Broken Amount(s): [[•]] per Calculation Amount payable on the Interest Payment Date falling [in]/[on] [•]/[Not Applicable]
 - (viii) First Reset Date: [•]
 - (ix) Subsequent Reset Date(s): [•] [and [•]]
 - (x) Relevant Screen Page: [•]
 - (xi) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
 - (xii) Mid-Swap Maturity: [•]
 - (xiii) Reference Rate: [EURIBOR]/[LIBOR]/[SONIA]/[•]
 - (xiv) Reference Banks: [•]
 - (xv) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)]
 - (xvi) Reset Determination Dates: [•]
 - (xvii) Minimum Rate of Interest: [[•] per cent. per annum]
 - (xviii) Maximum Rate of Interest: [[•] per cent. per annum]
 - (xix) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
 - (xx) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR]/[LIBOR]/[SONIA]
16. Floating Rate Note Provisions [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Specified Period(s): [•]
 - (ii) Interest Payment Dates: [•] [and [•]] in each year[, subject to adjustment in accordance with the Business Day Convention below]
 - (iii) First Interest Payment Date: [•]

- (iv) Business Day Convention: [Following Business Day Convention]
 [Modified Following Business Day Convention]
 [Modified Business Day Convention]
 [Preceding Business Day Convention]
 [FRN Convention]
 [Floating Rate Convention]
 [Eurodollar Convention]
 [No Adjustment]
 [Not Applicable]
- (v) Additional Business Centre(s): [Not Applicable]/[•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination: [Applicable]/[Not Applicable]
- (a) Reference Rate: [EURIBOR]/[LIBOR]/[SONIA]/[CMS Reference Rate]
- (b) Reference Bank(s): [•]
- (c) Interest Determination Date(s): [•]
- (d) Relevant Screen Page: [•]
- (e) Relevant Time: [[•] in the Relevant Financial Centre]/[as per the Conditions]
- (f) Relevant Financial Centre: [London]/[Brussels]/[New York City]/[•]
- (g) Reference Currency: [•]/[Not Applicable]
- (h) Designated Maturity: [•]/[Not Applicable]
- (i) Determination Time: [[•] [a.m.]/[p.m.] ([•] time)]/[Not Applicable]
- (j) CMS Rate Fixing Centre(s): [•]/[Not Applicable]

- (ix) ISDA Determination: [Applicable]/[Not Applicable]
- (a) Floating Rate Option: [•]
- (b) Designated Maturity: [•]
- (c) Reset Date: [•]
- (d) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]
- (e) ISDA Definitions: 2006
- (x) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [30/360]
- [Actual/Actual (ICMA)]
- [Actual/Actual (ISDA)]
- [Actual/365 (Fixed)]
- [Actual/360]
- [30E/360]
- [Eurobond Basis]
- [30E/360(ISDA)]
17. Zero Coupon Note Provisions [Applicable]/[Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to early Redemption Amounts: [30/360]
- [Actual/Actual (ICMA)]
- [Actual/Actual (ISDA)]
- [Actual/365 (Fixed)]
- [Actual/360]
- [30E/360]
- [Eurobond Basis]

PROVISIONS RELATING TO REDEMPTION

18.	Call Option	[Applicable]/[Not Applicable]
(i)	Optional Redemption Date(s) (Call):	[•]/[Any date from (and including) [•] to (but excluding) [•]]
(ii)	Optional Redemption Amount (Call):	[[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) [•]] [and [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) the Maturity Date]]
(iii)	Series redeemable in part:	[Yes: [•] per cent. of the Aggregate Principal Amount of the Notes may be redeemed on [each]/[the] Optional Redemption Date (Call)]/[No]
(iv)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
	(b) Maximum Redemption Amount:	[[•] per Calculation Amount]/[Not Applicable]
(v)	Notice period:	Minimum period: [[•] days]/[as per the Conditions] Maximum period: [[•] days]/[as per the Conditions]
(vi)	Optional Redemption Amount (Regulatory Event):	[•] per Calculation Amount
(vii)	Loss Absorption Disqualification Call:	[Applicable]/[Not Applicable] ²
	(a) Optional Redemption Amount (Loss Absorption Disqualification Event):	[•] per Calculation Amount
	(b) Full exclusion or partial exclusion sufficient:	[Full exclusion required]/[Partial exclusion sufficient]
(viii)	Early Redemption Amount (Tax):	[•] per Calculation Amount

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

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

[Unrestricted Global Certificate [(U.S.\$ [•]/€[•]
principal amount)] registered in the name of a
nominee for [a common depositary for
Euroclear and Clearstream, Luxembourg]/[a
common safekeeper for Euroclear and
Clearstream, Luxembourg (that is, held under
the New Safekeeping Structure
(NSS))]/[Individual Certificates]

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

SIGNED on behalf of
[CYBG PLC]/[CLYDESDALE BANK PLC]:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

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

2. RATINGS

- Ratings: The Notes to be issued [have not been rated]/
[have been rated:]
- [S&P Global Ratings Limited ("Standard & Poor's"): [•]]
- [Moody's Investors Service Ltd. ("Moody's"): [•]]
- [Fitch Ratings Limited ("Fitch"): [•]]
- [The short term unsecured obligations of the Issuer are rated [•] by Standard & Poor's, [•] by Fitch and [•] by Moody's, and the unsecured unsubordinated long-term obligations of the Issuer are rated [•] by Standard & Poor's, [•] by Fitch and [•] by Moody's.]
- [Each of] [Standard & Poor's], [Fitch] and [Moody's] is established in the European Economic Area (the "EEA") and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Standard & Poor's, Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

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

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

4. USE OF PROCEEDS

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

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

5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

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

6. OPERATIONAL INFORMATION

(i) CUSIP Number [•]/[Not Applicable]

(ii) ISIN: [•]

(iii) Common Code: [•]

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

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

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

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

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

(ix) 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.

DISTRIBUTION

- (i) U.S. Selling Restrictions: [Reg. S Compliance Category [1]/[2];[TEFRA C]/[TEFRA D]/[TEFRA not applicable] – [Not Rule 144A Eligible]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]

[If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no "key information document" will be prepared, "Applicable" should be specified]
- (iii) Method of distribution: [Syndicated]/[Non-syndicated]
- (iv) If syndicated [Not Applicable]/[•]
 - (a) Names of Managers and underwriting commitments: [Not Applicable]/[•]
 - (b) Stabilisation Manager(s) (if any): [Not Applicable]/[•]
- (v) If non-syndicated, name and address of Dealer: [Not Applicable]/[•]

- 8. BENCHMARK REGULATION [specify benchmark] is provided by [administrator legal name]. As at the date hereof, [administrator legal name] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article

36 of the Benchmark Regulation. [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that [administrator legal name] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).]/[Not Applicable]

FORMS OF THE NOTES

Bearer Notes

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

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

within seven days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

- (A) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (B) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
- (C) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

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

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

Terms and Conditions applicable to the Bearer Notes

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

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

Legend concerning United States persons

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

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

Registered Notes

Each Tranche of Registered Notes will be represented by either:

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

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

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which Euroclear and/or Clearstream, Luxembourg had designed in cooperation with market participants and that notes to be held under the NSS would be in compliance with the "*Standards for the use*

of EU securities settlement systems in ESCB credit operations" of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg from 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the NSS is used.

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

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

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

Global Certificate exchangeable for Individual Certificates

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

- (A) in the case of any Global Certificate, if Euroclear or Clearstream, Luxembourg and/or DTC or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (B) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
- (C) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever a Global Certificate is to be exchanged for Individual Certificates, each person having an interest in a Global Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the relevant Issuer and the relevant Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Notes represented by the Individual Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Certificate is to be exchanged for Individual Certificates, each person having an interest in the Restricted Global Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (A) that such holder is not transferring its interest at the

time of such exchange; or (B) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Whenever a Global Certificate is to be exchanged for Individual Certificates, the relevant Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Registered Notes

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

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

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions to "**Noteholder**" or "**Holder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary, common depositary, sub-custodian or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Certificates, references in the Conditions to "**Noteholder**" or "**Holder**" are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which (A) in the case of a Restricted Global Certificate held (1) by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or common depositary or sub-custodian or common safekeeper, as the case may be; or (2) by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the relevant Final Terms) as nominee for DTC; and (B) in the case of any Unrestricted Global Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or common depositary or sub-custodian or common safekeeper, as the case may be.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such

Accountholder's share of each payment made by the relevant Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Notes and such obligations of the relevant Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

Transfers of Interests in Global Notes and Global Certificates

Transfers of interests in Global Notes and Global Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Company, the Bank, the Trustee, the Registrars, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the relevant Registrar and the Principal Paying Agent.

Conditions applicable to Global Notes

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: in the case of a Global Note or a Global Certificate, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre specified in the Final Terms; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person, being the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 9(F) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(G) (*Partial redemption*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Global Note or a Global Certificate and the Global Note, or the Global Certificate is, registered in the name of DTC's nominee or deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Eurosystem Eligibility

If the Global Notes or Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), on or prior to the original issue date of the Tranche, the Global Notes or Global Certificates will be delivered to a common safekeeper and the relevant Final Terms will set out whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem ("**Eurosystem eligible collateral**").

Depositing the Global Notes or the Global Certificates intended to be held as Eurosystem eligible collateral with a common safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form or to be held under the NSS (as the case may be) which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper.

Pursuant to Article 81a of Guideline (EU) 2015/510 (as amended), (i) unsecured bank bonds ("**UBBs**") that are subject to statutory, contractual or structural subordination (for example, UBBs issued by bank holding companies such as the Company) became ineligible as collateral in the first quarter of 2018 and (ii) UBBs that were eligible as collateral but no longer fulfil the new eligibility criteria have been ineligible as collateral since 1 January 2019.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Senior Notes will be used for general corporate purposes of the Group, as may be more specifically set out in the Final Terms.

The net proceeds of the issue of each Series of Tier 2 Capital Notes will be used for general corporate purposes of the Group and to strengthen further the regulatory capital base of either Issuer and/or the Group, as may be more specifically set out in the Final Terms.

INFORMATION ON THE ISSUERS

The Company was incorporated in England and Wales on 18 May 2015, with registered number 9595911, under the Companies Act 2006 as a public limited company limited by shares with the name Pianodove PLC. Pianodove PLC changed its name to CYBG PLC on 1 October 2015. On 19 June 2019, the Company announced its intention to change its name from CYBG PLC to Virgin Money UK PLC by the end of 2019. The registered office of the Company is at 20 Merrion Way, Leeds, LS2 8NZ, United Kingdom (telephone number +44 (0)113 807 2000). The head office and principal place of business in the UK of the Company is at 40 St Vincent Place, Glasgow, G1 2HL, United Kingdom (telephone number +44 (0)141 248 7070).

The Bank was established in 1838, was registered as a public limited company on 11 January 1982 as Clydesdale Bank Public Limited Company and changed to its current name, Clydesdale Bank PLC, on 16 December 2005. The Bank is registered with the Registrar of Companies in Scotland under registration number SC001111. The registered office of The Bank is 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom. Its telephone number is +44 (0)141 248 7070.

Corporate Structure

The Company is the ultimate parent company of the Bank and owns 100 per cent. of the ordinary shares of the Bank. A list of the Company's significant subsidiaries is set out below.

The Bank has no material operations outside the UK. The Company does not hold a UK banking licence. The only non-UK registered entity of the Group is a trustee company that is part of the Group's securitisation vehicles. The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No 121873.

On 15 October 2018, the Company acquired the entire issued share capital of Virgin Money (a recommended all-share offer to Virgin Money's shareholders). As at the date of this Base Prospectus, the Company is the ultimate holding company of Virgin Money and the Virgin Money Group (being Virgin Money and each of its subsidiaries).

Subsidiaries

The Company is the holding company of the Group.

As at the date of this Base Prospectus the Company has the following significant subsidiary undertakings, each of which is wholly owned, either directly or indirectly, by the Company:

Name	Principal Activity	Registered Office	Percentage of shares and voting rights held	Jurisdiction
Clydesdale Bank PLC	Banking	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
CYB Investments Limited	Investment Company	20 Merrion Way, Leeds, LS2 8NZ	100	England
Yorkshire Bank Home Loans Limited	Mortgage finance	20 Merrion Way, Leeds, LS2 8NZ	100	England
CYB Intermediaries Limited	Insurance Intermediary	20 Merrion Way, Leeds, LS2 8NZ	100	England

Name	Principal Activity	Registered Office	Percentage of shares and voting rights held	Jurisdiction
Clydesdale Bank Asset Finance Limited	Leasing	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
CGF No.9 Limited	Leasing	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
Clydesdale Bank (Head Office) Nominees Limited	In liquidation	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB	100	Scotland
St Vincent (Equities) Limited	Investment Company	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
CB Nominees Limited	Dormant	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
Clydesdale Covered Bonds No. 2 LLP	Special Purpose Vehicle	20 Merrion Way, Leeds, LS2 8NZ	Limited Liability Partnership	England
CYB SSP Trustee Limited	Dormant	20 Merrion Way, Leeds, LS2 8NZ	100	England
Red Grey Square Funding LLP	Security Provider	35 Great St Helen's, London, EC3A 6AP	Limited Liability Partnership	England
YCB DC Trustee Limited	Dormant	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
YCBPS Property Nominee Company Limited	Dormant	20 Merrion Way, Leeds, LS2 8NZ	100	England
Yorkshire and Clydesdale Bank Pension Trustee Limited	Dormant	30 St Vincent Place, Glasgow, G1 2HL	100	Scotland
Yorkshire Bank PLC	Dormant	20 Merrion Way, Leeds, LS2 8NZ	100	England
Virgin Money Holdings (UK) plc	Holding Company	Jubilee House, Gosforth, Newcastle-	100	England

Name	Principal Activity	Registered Office	Percentage of shares and voting rights held	Jurisdiction
		Upon-Tyne, NE3 4PL		
Virgin Money plc	Banking	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Virgin Money Unit Trust Managers Limited	Investment Company	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Virgin Money Nominees Limited	Dormant	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Virgin Money Personal Financial Service Limited	Insurance and other Financial Services Products	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Virgin Money Management Services Limited	Intra-Group Services	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Northern Rock Limited	Dormant	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
Virgin Money Giving Limited	Online Charitable Donation Services	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	100	England
The Virgin Money Foundation	Registered charity	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	Limited by guarantee	England
Eagle Place Covered Bonds LLP	Special Purpose Vehicle	Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL	Limited Liability Partnership	England

Principal Shareholders

As at the date of this Base Prospectus, the Company's issued and fully paid-up capital consists of 1,433,516,368 ordinary shares of nominal value of £0.10 each. As at 3 June 2019, the following table contains information regarding the only persons the Issuer knows of that beneficially own 3 per cent. or more of its shares.

Shareholders	Number of Shares	Percentage of Issued Share Capital
Virgin Group Holdings Limited	188,083,550	13.12
Perpetual Limited and Subsidiaries	60,787,499	4.24
Investors Mutual Limited	53,659,761	3.74
Schroders PLC	44,572,459	3.11

Ratings

As at the date of this Base Prospectus, the long-term Issuer Rating assigned to the Company by Moody's was Baa3 (outlook Positive), the long-term Issuer Default Rating assigned to the Company by Fitch was BBB+ (on Rating Watch Negative) and the Issuer Credit Rating assigned to the Company by S&P was BBB- (Stable outlook).

As at the date of this Base Prospectus, the long-term Issuer Default Rating assigned to the Bank by Fitch was A- (on Rating Watch Negative) and the Issuer Credit Rating assigned to the Bank by S&P was BBB+ (Stable outlook).

INFORMATION ON THE GROUP

Overview

Headquartered in Glasgow, the Group is a retail and business bank and offers a diverse range of personal and business financial products to its 6.4 million customers via a leading digital platform and national branch network. The Group's strategic ambition is to disrupt the status quo in UK banking.

History and Development of the Group

The Company

The Company is the ultimate holding company of the CYBG Group and the whole of the issued share capital of the Bank is beneficially owned by the Company

The Bank

The Bank with roots back to its establishment in Glasgow in 1838, has a proud history of supporting Scottish industry and communities. The Bank is the principal operating subsidiary of the CYBG Group and is wholly owned by the Company.

Yorkshire Bank

Yorkshire Bank was founded in 1859 in Halifax and has branches and private banking centres in the North of England and the Midlands. Yorkshire Bank is a trading name of the Bank.

B

B launched in 2016, the Group's app-based digital banking service, B, offers PCAs, savings and transaction banking services in the UK.

Virgin Money

Virgin Money acquired by the Company on 15 October 2018, was founded in 1995 and offers savings, mortgages, credit cards, current accounts, currency services, pensions, investments and protection products to customers across the UK.

Strategy of the Group

The Group set out its refreshed strategy and updated medium-term strategic and financial targets at a Capital Markets Day on 19 June 2019. The Group's strategic and financial plan sets out the ambition to complete the integration of Virgin Money while building a simple, highly efficient, digitally enabled business, with a significantly improved customer experience.

Underpinning its strategic ambition to disrupt the status quo in UK banking are four strategic priorities:

1. **Pioneering growth** – The Group intends to reshape its balance sheet mix through a focus on growth in margin accretive assets and lower cost relationship deposits, supported by new customer propositions. The Group will not pursue low-margin, high-volume business but instead will seek to offer innovative and unique outcomes for customers through existing capabilities, new partnerships and opportunities it has with other Virgin companies.
2. **Delighted customers and colleagues** – The Group intends to deliver market leading experiences for customers and a motivating work environment for colleagues through the deployment of new propositions and its digital capabilities. As part of this the Group is targeting a Top 3 position in the Competition and Markets Authority service quality indicator rankings for both Personal and Business by the end of the 2022 financial year.

3. **Super straightforward efficiency** – The Group plans to realise significant synergies as it completes the full integration of Virgin Money as well as while building a simple, highly efficient, digitally enabled digitising and simplifying the business to drive incremental cost efficiencies. The Group intends to make every single processes, experiences and the language it uses straightforward.
4. **Discipline and sustainability** – The Group intends to maintain its disciplined approach to risk and the efficient use of capital to deliver sustainable shareholder returns.

A key component of the Group's strategy is the application of the Virgin Money brand across the Group.

The Group intends to seek court approval for the transfer of the business of Virgin Money plc to the Bank pursuant to an order under Part VII of FSMA (the "**Part VII Transfer**"). The court hearing to sanction the Part VII Transfer is expected to be held on 26 September 2019. Providing that the court approves the Part VII Transfer, it is expected that the Part VII Transfer scheme effective date (the "**Scheme Effective Date**") will be 21 October 2019. Following the Part VII Transfer the Virgin Money plc business and the Bank's business will be combined in a single banking entity, Clydesdale Bank PLC.

The Part VII Transfer forms part of the wider integration plan CYBG has developed to integrate Virgin Money into the Group. A phased migration of systems and customers and re-branding approach will be adopted. This will be separated into several distinct phases aligned to transaction events that seek to minimise impact on customers and the complexity to deliver. This will be achieved by leveraging product maturities and limiting the use of large-scale automated transfers, thereby avoiding any large migration events within the process.

It should be noted, however, that there can be no assurance that the proposed Part VII Transfer will be implemented in its current proposed form, or at all. See "*Risk Factors — There are risks relating to the proposed Part VII Transfer (as defined below) of all or substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc*".

It is intended that Virgin Money will be established as the Group's sole brand across all product lines and channels using a phased approach over a period of 24 months from the Scheme Effective Date and the Company will be re-named Virgin Money UK PLC by the end of 2019.

Business Activities of the Group

The Group has established three new divisions to support its strategy:

- **Business** – The Group offers a full range of business banking products and services across its Business Direct, small business, commercial and specialist and acquisition finance segments. The Group aims to bring together cutting-edge technology with trusted sector expertise to deliver the best customer experience for the benefit of its Business customers. The Business division's immediate focus is on participating in the RBS Incentivised Switching Scheme, the roll-out of its successful relationship proposition nationwide and the launch of Virgin Money for business.
- **Personal** – This is the Group's core customer franchise, encompassing any personal elements of banking that are not mortgage-related (e.g. personal current accounts, unsecured personal loans and credit cards). The division's ambition is to be at the centre of customers' lives, creating life-long advocacy and relationships by serving them with a great digital first customer experience. The division's immediate focus is on developing and introducing rewards-led relationship propositions to drive customer growth; central to which will be the Virgin Money personal current account that will be launched in late 2019.
- **Mortgages** – The Group's core lending activity is the provision of residential mortgages to individuals secured on residential properties located in the UK. The Mortgages division brings together the complementary strengths of both CYBG and Virgin Money's mortgage

propositions. The division's strategic plan will digitise, optimise and maximise the Group's mortgage business to unlock greater value and ensure it delivers an enhanced customer and broker experience.

Other Relevant Information

Capital

As at 31 March 2019, based on £23,864 million of Risk Weighted Assets, the consolidated Group's capital position was:

- Common Equity Tier 1 ratio was 14.5 per cent.;
- Total Capital Ratio was 21.9 per cent.;
- Tier 1 Capital Ratio of 18.6 per cent.;
- CRD IV Leverage Ratio was 4.7 per cent.; and
- UK Leverage Ratio was 5.3 per cent.

Liquidity

The Group undertakes a conservative approach to liquidity management by imposing internal limits, including limits based on stress and scenario testing, in addition to regulatory requirements. The Group manages liquidity risk by maintaining sufficient net liquid assets as a percentage of liabilities to cover cash flow imbalances and fluctuations in funding in order to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligations.

As at 31 March 2019, the Group's liquidity coverage ratio was 158 per cent. and its net stable funding ratio was 125 per cent.

The Group maintains a liquid asset portfolio that is primarily comprised of cash at the central banks, UK Government securities (gilts) and listed securities (e.g. bonds issued by supra-nationals and AAA rated covered bonds). The Group manages this portfolio to meet PRA liquidity requirements while diversifying the mix to reduce basis risk and optimise the yield on liquid assets.

As at 31 March 2019, the Group held unencumbered liquid assets of £11,329 million.

Funding

The Group has a diversified funding mix, a strong base of predominantly lower-cost retail customer deposits, proven access to wholesale secured funding and negligible short-term wholesale funding.

The majority of the Group's funding is generated through customer deposits in the form of current accounts and savings accounts, reflecting the Group's retail deposit-led funding strategy. The Group's loan to deposit ratio at 31 March 2019 was 118 per cent.

In addition to retail deposits, the Group seeks appropriate diversification of its funding base through a number of wholesale funding programmes. As at 31 March 2019, the Group had securities in issue with a value of £5,173 million from residential mortgage backed securities, £1,279 million from covered bonds and £1,484 million from medium term notes. As at 31 March 2019, the Group had total TFS drawings of £8.5 billion, following the repayment of £150 million in March 2019.

DB Scheme

The Bank is the sponsoring employer of the DB Scheme. Under the DB Scheme, benefits provided are based on employees' years of service using either a career average formula or final salary formula. The Bank is the only employer in the DB Scheme. The DB Scheme was closed to new entrants in 2004 and is now closed to the future build-up of benefits for the majority of colleagues. As of 1 August 2017, all future pension benefits for colleagues build-up through the defined contribution pension scheme, "Total Pension!". A minority of members of the Yorkshire section of the DB Scheme, who did not consent to the changes, remain in the DB Scheme and are required to make a minimum contribution of 15 per cent. of base salary.

There are also a group of DB Scheme deferred members who remain on transitional terms following the closure of the DB Scheme to future accrual, who can take early retirement benefits with a lower actuarial reduction. Transitional terms finish on 31 July 2020 and apply only to members who attain the age of 55 by 31 July 2020, are still employed by the Group and retire by 31 July 2020 at the latest. The DB Scheme is operated separately from the Group; assets are held, and the scheme managed by an independent corporate trustee, Yorkshire and Clydesdale Bank Pension Trustee Limited (the "**DB Trustee**").

The DB Trustee has the power to determine the investment strategy of the DB Scheme after consultation with the Bank. Regular actuarial valuations are held (at least every three years) to determine the funded status of the DB Scheme. Agreement was reached with the DB Trustee on the DB Scheme funding valuation at 30 September 2016, with a calculated deficit of £290 million. In the recovery plan dated 31 July 2017 the Group agreed to contribute £50 million per annum until 31 March 2022 and £55 million in the year to 31 March 2023 to eliminate this deficit. For future valuations it is open to the trustees of the DB Scheme to call for valuations at an earlier date. The assumptions used for the statutory valuation would generally need to be agreed between the Group and the trustees of the DB Scheme although the regulator established under Part 1 of the Pensions Act 2004 (as amended) in the UK has the power to set these in certain circumstances. In July 2017, the Bank and DB Trustee agreed to the use of a contingent security arrangement which is intended to provide the DB Trustee with protection against the bank defaulting on its obligations under the recovery plan. An additional amount partially mitigates investment risk in the DB Scheme. The pension security arrangement is capital neutral for the bank and has no adverse impact on its liquidity position. The amount of security assets required will reduce as the Group makes contributions to the DB Scheme and the investment strategy is de-risked.

The following table sets out the Group's pension liability on an accounting basis and on a cash funding basis as at 31 March 2019:

	£ million
Value of assets.....	4,203
Value of liabilities.....	3,948
Surplus/(Deficit)	219
Funding Level.....	106.5%

On 26 October 2018, the High Court handed down a judgement concluding that defined benefit schemes should equalise pension benefits for men and women in relation to guaranteed minimum pensions, and concluded on the methods that were appropriate. The estimated increase in the Group's pension liability at the date of the judgement was £11 million and is based on a number of assumptions and the actual impact may be different. This has been reflected in the closing net accounting surplus of the DB Scheme.

Defined Contribution Scheme ("Total Pension!")

As of 1 August 2017, for the vast majority of colleagues all future pension benefits for colleagues will build-up through the defined contribution pension scheme, "Total Pension!". Core contributions are 2 per cent. employee, 8 per cent. employer with a further matching of 1 per cent. employee 1 per cent. employer up to a maximum of 5 per cent. employer.

DIRECTORS OF THE ISSUERS

The Directors of the Issuers, whose business addresses are 20 Merrion Way, Leeds, LS2 8NZ, United Kingdom (in the case of the Company) and 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom (in the case of the Bank), their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

Name	Position	Principal directorships
James Pettigrew	Chairman, Non-Executive Director	BlueBay Asset Management (Services) Ltd Milton Group PLC RBC Europe Limited Rathbone Brothers PLC Rathbone Investment Management Limited Lydekker Mews Residents Association Limited
David Duffy	Group Chief Executive Officer	UK Finance Limited
Ian Smith	Group Chief Financial Officer	67 Pall Mall Limited
David Bennett	Deputy Chairman and Senior Independent Non-Executive Director	Ashmore Group PLC Paypal (Europe) S.à.r.l et Cie S.C.A.
Clive Adamson	Independent Non-Executive Director	The Prudential Assurance Company Limited M&G Prudential Limited J.P. Morgan International Bank Limited Ashmore Group PLC
Paul Coby	Independent Non-Executive Director	
Geeta Gopalan	Independent Non-Executive Director	Wizink Bank S.A. Ultra Electronics Holdings PLC Funding Circle Holdings PLC
Adrian Grace	Independent Non-Executive Director	Aegon UK Corporate Services Limited Aegon UK Services Limited Scottish Equitable PLC Aegon UK IT Services Limited Scottish Equitable Holdings Limited Aegon Investment Solutions Ltd. Aegon Investment Solutions Nominee 1 (Gross) Ltd.

Name	Position	Principal directorships
		Aegon Investment Solutions Nominee 2 (Net) Ltd. Aegon Investment Solutions Nominee 3 (ISA) Ltd. Aegon UK Plc Aegon Holdings (UK) Limited Aegon Pensions Trustee Limited Aegon UK Property Fund Limited Scottish Equitable (Managed Funds) Limited Scottish Equitable Life Assurance Society Aegon SIPP Nominee Ltd Aegon SIPP Guarantee Nominee Limited Newcast Property Developments (One) Limited Newcast Property Developments (Two) Limited Momentum Group Limited Cofunds Limited Cofunds Nominees Ltd Cofunds Leasing Ltd Minster Nominees Ltd Dorset Nominees Ltd Aegon Investments Ltd Andrews Nominees Limited Victoria Nominees Limited Lochside Nominees Limited Witham Institutional Nominee Limited Aegon SIPP Nominee 2 Limited Origen Trustee Services Limited Denholm Oilfield Services Limited
Fiona MacLeod	Independent Non-Executive Director	
Darren Pope	Independent Non-Executive Director	Equiniti Group PLC Network International Holdings PLC
Dr Teresa Robson- Capps	Independent Non-Executive Director	Hastings Group Holdings PLC FIL Investment Services (UK) Limited FIL Holdings (UK) Limited

Name	Position	Principal directorships
Amy Stirling	Independent Non-Executive Director	<p>Virgin Money plc</p> <p>Virgin UK Holdings Limited</p> <p>VIRGIN.COM LIMITED</p> <p>Virgin Management Limited</p> <p>Virgin Holdings Limited</p> <p>VEL Holdings Limited</p> <p>Classboss Limited</p> <p>Barfair Limited</p> <p>VM Advisory Limited</p> <p>RIT Capital Partners PLC</p>
Tim Wade	Independent Non-Executive Director	<p>Macquarie Bank International Limited</p> <p>The Coeliac Trading Company Limited</p> <p>ACE Europe Life Limited</p> <p>Chubb European Group PLC</p> <p>Chubb Underwriting Agencies Limited</p>

None of the Directors has any potential conflicts of interests between their duties to the Issuer and their private interests or other duties.

TAXATION

A. United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current United Kingdom tax law as applied in England and Wales and the practice of HMRC (which may not be binding), both of which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that series of Notes. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that might be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom Withholding Tax on United Kingdom Source Interest

1. Any Notes issued by an Issuer which carry a right to interest will constitute "**quoted Eurobonds**" provided they either are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**")) or admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by an Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Notes will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on a recognised stock exchange (for the purposes of section 1005 of the Act) and either they are included in the United Kingdom official list (within the meaning of Part 6 of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange (for the purposes of section 1005 of the Act).

The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

2. In addition to the exemption set out above, interest on Notes issued by the Bank may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Bank is and continues to be a "bank" within the meaning of section 991 of the Act and the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act.
3. Payments of interest by the Issuers on the Senior Notes and the Tier 2 Capital Notes may be paid without withholding or deduction for or on account of United Kingdom income tax where at the time interest on the Senior Notes and/or the Tier 2 Capital Notes (as applicable) is paid, the relevant Issuer reasonably believes either:

- (a) that the beneficial owner is a United Kingdom resident company or is a non-United Kingdom resident company which is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) that the payment is made to one of the bodies or persons, and in accordance with any applicable conditions, set out in sections 935 to 937 of the Act,

provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

- 4. In all cases falling outside the exemptions above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent., subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply). However, such withholding or deduction will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under a scheme of arrangements the effect or intention of which is, to render such Notes part of a borrowing with a total term of a year or more.

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element of such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

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

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

The references to "**interest**" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer as principal debtor pursuant to Condition 17(C) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

The above description of the United Kingdom withholding tax position also assumes that the Notes are not hybrid capital instruments (as defined in section 475C of the Corporation Tax Act 2009) and does not consider the tax consequences of payments in connection with such hybrid capital instruments. If any Notes issued under the Programme are expected to constitute such hybrid capital instruments, the tax treatment will be disclosed in the relevant supplemental prospectus.

B. Other Tax Considerations

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective

purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The U.S. Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payments". Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer) and/or characterised as equity for U.S. tax purposes. However, if additional notes (as described under Condition 18 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or which may be implemented in a materially different form. Prospective Noteholders should consult their tax advisers on how these rules may apply to the Issuers and to payments they may receive in connection with the Notes.

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 the 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 the 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 Noteholders are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Company or the Bank to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Lloyds Bank Corporate Markets plc, Merrill Lynch International, Morgan Stanley & Co. International plc and NatWest Markets Plc, or such other dealers as may be appointed either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Company or the Bank to, and purchased by, Dealers are set out in a programme agreement dated 1 July 2019 (as amended, restated, modified and/or supplemented from time to time, the "**Programme Agreement**") and made between the Issuer, the Arranger and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Company or the Bank in respect of such purchase. In relation to an issuance of a particular Tranche of Notes, the relevant Issuer will enter into a Relevant Agreement (as defined in the Programme Agreement) with the relevant Dealer(s), pursuant to which the relevant Dealer(s) may be entitled in certain circumstances to be released and discharged from their obligations under the Relevant Agreement prior to the closing of the issue of the particular Tranche of Notes. Notes so subscribed under the Relevant Agreement may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Notes may also be issued by the Company or the Bank, as the case may be, through all or any of the Dealers acting as agents.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement may be terminated in relation to all or any of the Dealers by any Issuer or, in relation to itself and the Company or the Bank or both, as the case may be, by any Dealer, at any time on giving not less than 30 days' written notice.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed (and each additional Dealer named in the relevant Final Terms will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

- (A) except to the extent permitted under the TEFRA D Rules, it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person;
- (B) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person (except to the extent permitted under the TEFRA D Rules);

- (C) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of the TEFRA D Rules;
- (D) with respect to each affiliate or distributor that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in paragraphs (A), (B) and (C) above on such affiliate's or distributor's behalf or agrees that it will obtain from such distributor for the benefit of the relevant Issuer the representations and agreements contained in such paragraphs; and
- (E) it shall obtain for the benefit of the relevant Issuer the representations, undertakings and agreements contained in paragraphs (A), (B), (C) and (D) above from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Notes.

Terms used in this section shall have the meanings given to them by the Internal Revenue Code and the regulations thereunder, including the TEFRA D Rules.

Where the rules under the TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented and agreed (and each additional Dealer named in the relevant Final Terms will be required to represent and agree) that, in connection with the original issuance of the Notes:

- (A) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (B) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

Each Dealer has represented and agreed that and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it has not offered, sold or, in the case of Bearer Notes, delivered and will not offer, sell or, in the case of Bearer Notes, deliver the Notes (1) as part of their distribution at any time, or (2) otherwise until 40 days after the later of the commencement of the offering of the Notes or the relevant issue date, only in accordance with Rule 903 of Regulation S and Rule 144A or any other available exemption from registration under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates also agree that it will have sent to each dealer to which it sells Notes during the distribution compliance period other than resales pursuant to Rule 144A, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S. Notwithstanding the foregoing, Dealers nominated by the relevant Issuer may arrange, through their U.S.-registered broker dealer affiliates, for the offer and resale of Registered Notes to QIBs in the United States pursuant to Rule 144A. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Base Prospectus has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person (as defined in Regulation S), other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any person that is not a U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such person that is not a U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such person that is not a U.S. person or QIB, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (1) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (2) a customer within the meaning of the Insurance Mediation Directive (2002/92/EC), as amended or superseded, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

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

- (A) **No deposit-taking:** in relation to any Notes issued by the Company having a maturity of less than one year:
 - (1) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (2) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (a) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Company;
- (B) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not, or in case of the Bank, would not, if it was not an authorised person, apply to the relevant Issuer; and

- (C) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (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 re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

Hong Kong

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

- (A) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (1) to "professional investors" as defined in the SFO and any rules made under the SFO; or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (B) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

General

With the exception of the approval by the FCA of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom, no representation is made that any action has been or will be taken in any country or jurisdiction by the Company, the Bank or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, or distribute such offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to the Base Prospectus.

Each Issuer has given an undertaking to the Dealers in connection with the listing of any Notes on the Official List to the effect that if after preparation of the Base Prospectus for submission to the FCA it becomes aware that there is a significant new factor, material mistake or inaccuracy relating to the information contained in the Base Prospectus published in connection with the admission of any of the Notes to the Official List, it shall give to each Dealer full information about such change or matter and shall publish a supplemental Base Prospectus as may be required by the FCA, under Section 87G(2) of the FSMA or by the prospectus rules made by the FCA and shall otherwise comply with section 87G of the FSMA and the prospectus rules in that regard and shall supply to each Dealer such number of copies of the supplemental Base Prospectus as it may reasonably request.

TRANSFER RESTRICTIONS

Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (A) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
 - (1) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
 - (2) it is not an affiliate of the Company or the Bank or a person acting on behalf of such an affiliate;
- (B) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
 - (1) in an offshore transaction to persons that are not U.S. persons occurring outside the United States in accordance with Rule 903 or Rule 904 of Regulation S;
 - (2) to the relevant Issuer; or
 - (3) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of one or more QIBs,in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (C) it understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION UNDER THE SECURITIES ACT."; and
- (D) it understands that the Company, the Bank the Trustee, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

On or prior to the 40th day after the later of the commencement of the offering of the Notes or the relevant issue date, Notes represented by an interest in an Unrestricted Global Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Certificate only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 to the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described above under "*Forms of the Notes*".

Notes represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global

Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 to the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Certificate and become an interest in a Note represented by a Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Certificate.

Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (A) the purchaser is (1) a QIB, (2) acquiring the Notes for its own account or for the account of one or more QIBs, (3) not formed for the purpose of investing in the Notes or the Company or the Bank and (4) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (B) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Company or the Bank or any of their respective affiliates, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (C) the purchaser understands that the Restricted Global Certificate and any restricted Individual Certificate (a "**Restricted Individual Certificate**") will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE COMPANY AND THE BANK THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (2) TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION

FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE OR (5) TO THE COMPANY, THE BANK OR THEIR RESPECTIVE AFFILIATES.

- (D) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (E) the purchaser understands that the Company, the Bank, the Trustee, the Registrars, the Dealers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Certificate or a Restricted Individual Certificate, or upon specific request for removal of the legend, the relevant Issuer will deliver only a Restricted Global Certificate or one or more Restricted Individual Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the relevant Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the relevant Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in an Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Company on 25 January 2017. The update of the Programme was authorised by resolutions of the Board of Directors of each of the Company and the Bank on 28 November 2018. The accession by the Bank to the Programme was authorised by resolutions of the Board of Directors of the Bank on 28 November 2018. Each Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme and each Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. The price of a Series of Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest, if any). The admission of the Programme to trading on the Regulated Market is expected to be granted on or around 1 July 2019 for a period of 12 months. Any Series of Notes intended to be admitted to trading on the Regulated Market will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the Global Note or Global Certificate representing Notes of that Series. If such Global Note is not issued, the issue of such Notes may be cancelled. Prior to admission to trading, dealings in the Notes of the relevant Series will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

Legal Proceedings

3. Save as disclosed in relation to historic sales of PPI and IRHP in the sections entitled "*Risk Factors — Risks relating to the Group — The Group is subject to risks associated with compliance with a wide range of laws and regulations*" and "*Risk Factors — Risks relating to the Group — The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" on pages 22 to 23 and 32 to 33, respectively, of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers are aware), which may have or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Group or each of the Issuers and its respective subsidiaries.

Significant/Material Change

4. There has been no significant change in the financial or trading position of the Group since 31 March 2019, being the date of the Company's last published consolidated half yearly financial statements.
5. There has been no material adverse change in the prospects of either of the Issuers since 30 September 2018, being the date of each Issuer's last published consolidated annual financial statements.

Auditors

6. The annual consolidated accounts of the Company and the Bank for the years ended 30 September 2017 and 30 September 2018 have been audited without qualification by Ernst & Young LLP of 1 More London Place, London, SE1 2AF, United Kingdom. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

Documents on Display

7. Copies of the following documents may be inspected during normal business hours at the specified office of the Company, at 20 Merrion Way, Leeds LS2 8NZ, United Kingdom, at the specified office of the Bank, at 30 St Vincent Place, Glasgow, G1 2HL, United Kingdom, and at the specified office of the Principal Paying Agent, at Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB, United Kingdom, for 12 months from the date of this Base Prospectus. These documents shall also be available in electronic form at <http://www.cybg.com/investor-centre> and, in the case of (J) below at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>:
- (A) the Articles of Association of each Issuer;
 - (B) the 2018 Company Audited Financial Statements;
 - (C) the 2017 Company Audited Financial Statements;
 - (D) the 2018 Bank Audited Financial Statements;
 - (E) the 2019 Company Interim Financial Statements;
 - (F) the 2017 Bank Audited Financial Statements;
 - (G) the Trust Deed (which contains the forms of Notes in global and definitive form);³
 - (H) the Agency Agreement;⁴
 - (I) the current Base Prospectus in respect of the Programme;
 - (J) any supplement or drawdown prospectus published since the most recent base prospectus was published and any documents incorporated therein by reference; and
 - (K) any Final Terms issued in respect of Notes admitted to listing and/or trading by the listing authority and/or stock exchange since the most recent base prospectus was published.

Clearing of the Notes

8. The Notes may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems and DTC (which are entities in charge of keeping the records). The common code, International Securities Identification Number (an "ISIN"), CUSIP, Financial Instrument Short Name ("FISN") and Classification of Financial Instruments (a "CFI") code (as applicable) for **each** Series of Notes allocated by Clearstream, Luxembourg and Euroclear or DTC will be contained in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, United States of America.

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

9. The following legend will appear on all Permanent Global Notes with maturities of more than 365 days and on all Definitive Notes, Coupons and Talons: "*Any United States*

³ If required by law, the Trust Deed will also be made available on the Issuer's website.

⁴ If required by law, the Agency Agreement will also be made available on the Issuer's website.

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

Issue Price and Yield

10. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different **Tranches** of a Series of Notes, the purchase price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. The yield of each Tranche of Notes set out in the relevant Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Dealers Transacting with the Issuers

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the relevant Issuer and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the relevant Issuer and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the relevant Issuer or the relevant Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the relevant Issuer routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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