

Offering Memorandum dated 5 October 2021



OSB GROUP PLC

(incorporated under the laws of England and Wales with registered number 11976839)

£150,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities

ISSUE PRICE: 100 per cent.

THE ISSUER MAY AT ANY TIME AND FOR ANY REASON ELECT TO CANCEL ANY INTEREST PAYMENT (IN WHOLE OR IN PART) IN ITS SOLE AND ABSOLUTE DISCRETION. THE SECURITIES (AS DEFINED BELOW), WHICH ARE PERPETUAL AND SUBORDINATED, ARE BEING OFFERED TO PROFESSIONAL INVESTORS (AS DEFINED BELOW) ONLY. INVESTING IN THE SECURITIES INVOLVES RISKS. INVESTORS SHOULD NOT PURCHASE THE SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS AND UNDERSTAND THE RISKS INVOLVED. THE SECURITIES ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF A TRIGGER EVENT (AS DEFINED BELOW) WHICH WOULD RESULT IN THE CONVERSION OF THE SECURITIES INTO ORDINARY SHARES OF THE ISSUER AND WHICH MAY RESULT IN INVESTORS LOSING ALL OR PART OF THEIR INVESTMENT IN THE SECURITIES. SEE THE SECTION HEADED “RISK FACTORS” BEGINNING ON PAGE 24.

The £150,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”) are expected to be issued by OSB GROUP PLC (the “**Issuer**”) on 7 October 2021 (the “**Issue Date**”).

This Offering Memorandum does not constitute (i) a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 (as amended), (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 as amended or superseded (the “**EU Prospectus Regulation**”) or (iii) a prospectus for the purposes of the EU Prospectus Regulation as it forms part of the domestic law of the United Kingdom (“**UK**”) by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK Prospectus Regulation**”). Application has been made to the London Stock Exchange plc, for the Securities to be admitted to trading on the International Securities Market (the “**ISM**”). The ISM is neither (i) a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (“**EU MiFID II**”) nor (ii) a UK regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of EUWA (“**UK MiFIR**”).

The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “FCA”). The London Stock Exchange has not approved or verified the contents of this Offering Memorandum.

The Securities will bear interest on their principal amount for the period from, and including the Issue Date to, but excluding, 7 April 2027 (the “**First Reset Date**”) at 6.000 per cent. per annum (the “**Initial Interest Rate**”). The Interest Rate (as defined herein) will be reset on each Reset Date (as defined herein). From (and including) each Reset Date to (but excluding) the next succeeding Reset Date thereafter, the Interest Rate shall be the sum of 5.393 per cent. per annum and the applicable 5-year Gilt Rate (as defined herein). Subject to cancellation (in whole or in part) as provided herein, interest on the Securities will be payable semi-annually in arrear on 7 April and 7 October of each year (each an “**Interest Payment Date**”) commencing on 7 April 2022.

The Issuer may at any time elect to cancel any interest payment (in whole or in part) in its sole and absolute discretion. In addition, the Issuer must cancel payments of interest in respect of any Interest Payment Date to the extent that: (i) the Issuer does not have sufficient Distributable Items (as defined herein); (ii) such payment could not be made in compliance with the Solvency Condition (as defined herein); or (iii) the Issuer is otherwise directed to cancel such payments of interest by the Supervisory Authority (as defined herein) which, as at the date of this Offering Memorandum, is the Prudential Regulation Authority (the “**PRA**”). Any interest which is so cancelled or which does not become due will not accumulate or be payable at any time thereafter, no amount will become due from the Issuer in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.

The Securities are perpetual securities with no fixed redemption date, and the Securityholders (as defined herein) have no right to require the Issuer to redeem or purchase the Securities at any time.

Subject as provided herein and to the Issuer having obtained Regulatory Approval (as defined herein) and complied with the Regulatory Preconditions (as defined herein), the Issuer may redeem all but not some only of the Securities: (i) on any day falling in the period commencing on (and including) 7 October 2026 and ending on (and including) the First Reset Date or on any Reset Date thereafter; (ii) at any time upon the occurrence of a Tax Event (as defined herein); or (iii) at any time upon the occurrence of a Capital Disqualification Event (as defined herein), in each case at their principal amount plus accrued interest (if any) and in the manner described herein.

Upon the occurrence of a Trigger Event, the Securities will be converted into Ordinary Shares of the Issuer at the Conversion Price, all as more fully described herein.

The Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients in either the UK or the European Economic Area (the “EEA”) (each as defined herein).

In addition to the above, pursuant to the UK FCA of Business Sourcebook (“COBS”) the Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available in the UK to retail clients (as defined in COBS 3.4) in the UK.

Prospective investors are referred to the section headed “*Subscription and Sale*” on pages 133 to 134 of this document for further information.

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES).

The Securities will be issued in the form of a global security in registered form (the “**Global Certificate**”). The Global Certificate will be deposited with a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), and registered in the name of the nominee of the common depository, on the Issue Date. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Interests in the Global Certificate will be exchangeable for definitive securities only in certain limited circumstances. See “*Summary of provisions relating to the Securities while represented by the Global Certificate*”. The denominations of the Securities shall be £200,000 and integral multiples of £1,000 in excess thereof.

The Securities are expected, on issue, to be rated B+ by Fitch Ratings Ltd. (“**Fitch**”). Fitch is established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). Fitch is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060 (as amended) (the “**CRA Regulation**”). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited respectively in accordance with the CRA Regulation. Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. 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.

Prospective investors should have regard to the factors described under the section of this document headed “*Risk Factors*”, which includes the risk that the Securities may be converted into Ordinary Shares of the Issuer and/or may be subject to statutory write-down or bail-in which may result in loss absorption by investors.

Structuring Adviser

NatWest Markets

Joint Lead Managers

Barclays

Citigroup

NatWest Markets

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

This document has been prepared on the basis that any offer of Securities in any member state of the EEA (each, a “**Relevant State**”) or the UK will be made pursuant to an exemption under the EU Prospectus Regulation (as implemented in that Relevant State) and the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Relevant State or in the UK of Securities may only do so in circumstances in which no obligation arises for the Issuer or any of Barclays Bank PLC, Citigroup Global Markets Limited and NatWest Markets Plc, (together, the “**Joint Lead Managers**”) to publish a prospectus pursuant to Article 1 of the EU Prospectus Regulation and Article 1 of the UK Prospectus Regulation (as the case may be) in relation to such offer. Neither the Issuer nor any Joint Lead Manager has authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Joint Lead Manager to publish or supplement a prospectus for such offer.

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

No person has been authorised to give any information or to make any representation other than as contained in this document in connection with the issue or sale of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers (as defined in “*Overview of the Securities*” below). Neither the delivery of this document nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Securities is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this document and the offering or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restriction.

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES MAY NOT BE OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)).

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT 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 HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF SECURITIES OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This document does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for, or purchase, the Securities.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, Conv-Ex Advisors Limited (the “**Conversion Calculation Agent**”), the Principal Paying Agent, the Conversion Agent the Transfer Agent, the Agent Bank and the Registrar (together, the “**Agents**”) accept any responsibility for the contents of this document or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee, the Conversion Calculation Agent or the Agents or on their behalf in connection with the Issuer or the issue and offering of the Securities. Each of the Joint Lead Managers, the Agents, the Conversion Calculation Agent and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement. Neither this document nor any document incorporated by reference nor any other financial statements or information supplied in connection with the Securities is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by any of the Issuer, the Trustee, the Conversion Calculation Agent, the Agents or the Joint Lead Managers that any recipient of this document or any other financial statements or information supplied in connection with the Securities or any document incorporated by reference should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this document, in any document incorporated by reference, or in any other financial statements or information supplied in connection with the Securities and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers, the Conversion Calculation Agent, the Agents or the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this document nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Joint Lead Managers.

Prohibition on Marketing and Sales to Retail Investors

1. The Securities discussed in this document are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities. Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein).
2.
 - (a) In the UK, the FCA Conduct of Business Sourcebook (“**COBS**”) requires, in summary, that the Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “**retail client**”) in the UK.
 - (b) Each Joint Lead Manager is required to comply with COBS.

- (c) By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:
- (i) it is not a retail client in the UK; and
 - (ii) it will not sell or offer the Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
- (d) In selling or offering the Securities or making or approving communications relating to the Securities you may not rely on the limited exemptions set out in COBS.
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), whether or not specifically mentioned in this document, including (without limitation) any requirements under EU MiFID II or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

EU PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – the Securities 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 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 EU MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

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

UK PRIIPs/IMPORTANT – UK RETAIL INVESTORS – the Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK (as defined below). For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

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

UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

Investors to make own investigations

Neither this Offering Memorandum nor any of the documents incorporated by reference constitutes an offer or an invitation to subscribe for or purchase any Securities and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee, the Conversion Calculation Agent or the Agents that any recipient of this Offering Memorandum should subscribe for or purchase any Securities. Each recipient of this Offering Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The Securities are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Securities 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 Securities, the merits and risk of investing in the Securities and the information contained or incorporated by reference in this Offering Memorandum;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities 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 Securities 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 Securities and be familiar with the behaviour of any relevant indices and financial markets; and

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Certain definitions

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

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

In this Offering Memorandum, references to the “**Issuer**” are to OSB GROUP PLC.

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

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

In connection with the issue of the Securities, NatWest Markets Plc acting as the stabilising manager (in such capacity, the “**Stabilising Manager**”) (or person(s) acting on behalf of the Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities 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 Securities was 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 and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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INFORMATION INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with the information contained in:

- (A) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2020, together with the audit report thereon, as set out on pages 188 to 269 and 174 to 187, respectively of the Issuer's annual report and accounts for the financial year ended 31 December 2020 (the "**2020 Financial Statements**");
- (B) the audited consolidated financial statements of OSB for the financial year ended 31 December 2019, together with the audit report thereon, as set out on pages 162 to 258 and 150 to 161, respectively of OSB plc's annual report and accounts for the financial year ended 31 December 2019 (the "**2019 Financial Statements**"); and
- (C) the unaudited financial statements of the Issuer for the financial half-year ended 30 June 2021 (the "**2021 HY Financial Statements**") and together with the 2020 Financial Statements and 2019 Financial Statements, the "**OSB Financial Statements**"),

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

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

Any documents referred to in the documents incorporated by reference in this Offering Memorandum do not form part of this Offering Memorandum.

PRESENTATION OF INFORMATION

Historical financial information

The historical financial information incorporated by reference in this Offering Memorandum consists of the OSB Financial Statements, which have been prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board in conformity with the requirements of the Companies Act 2006 (“IAS”). The financial statements of the Issuer for the year ending 31 December 2021 will be prepared in accordance with applicable law and the International Accounting Standards as adopted by the UK (“UK IAS”).

Non-financial information operating data

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

Rounding

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

Market, economic and industry data

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

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

No incorporation of website information

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

USE OF PROCEEDS

The net proceeds of the issue will be used by the Issuer for general corporate purposes of the Group and to further strengthen the Group's regulatory capital base. The net proceeds will be partially down-streamed to each of OSB and CCFSL, and the Group intends, as at the date of this Offering Memorandum, for the proceeds down-streamed to OSB to be used, in part, to finance the concurrent tender offer by OSB of its existing Additional Tier 1 Instrument.

OVERVIEW OF THE SECURITIES

The following overview is a general description of the Securities and must be read as an introduction to this Offering Memorandum, qualified in its entirety by the remainder of this Offering Memorandum and the information incorporated by reference herein. Words and expressions defined in “Terms and Conditions of the Securities” below shall have the same meanings in this Overview of the Programme.

Issuer:	OSB GROUP PLC
Issuer’s Legal Entity Identifiers (LEI):	213800ZBKL9BHSL2K459
Website of the Issuer:	https://www.osb.co.uk/
Description of the Securities:	£150,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities
Issue Date:	7 October 2021
Perpetual Securities:	The Securities are perpetual securities and have no fixed maturity or fixed redemption date.
Issue Price:	100 per cent.
Initial Fixed Interest Rate:	6.000 per cent. per annum
Reset Dates:	7 April 2027 (the “ First Reset Date ”) and each date falling five, or an integral multiple of five, years after the First Reset Date.
Reset Rate of Interest:	The Interest Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate equal to the sum of the 5-year Gilt Rate (as defined in the Conditions) plus the Margin.
Margin:	5.393 per cent. per annum
Interest Payment Dates:	Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 7 April and 7 October in each year, commencing on 7 April 2022.
Cancellation of Interest Payments:	<p>If the Issuer does not pay an Interest Amount or part thereof on the relevant Interest Payment Date, such non-payment shall evidence:</p> <ul style="list-style-type: none">(i) the non-payment and cancellation of such Interest Amount (or relevant part thereof) by reason of it not being due in accordance with the provisions described under “<i>Solvency Condition</i>” below;(ii) the cancellation of such Interest Amount (or relevant part thereof) in accordance with the provisions described under “<i>Restrictions on Interest Payments</i>” below;(iii) the cancellation of such Interest Amount (or relevant part thereof) in accordance with Condition 6(a); or

(iv) the Issuer's exercise of its discretion to otherwise cancel such Interest Payment,

and accordingly such interest shall not in any such case be due and payable.

Interest Payments Discretionary:

Interest on the Securities is due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out herein. Accordingly, the Issuer may at any time elect to cancel any Interest Amount (or part thereof) which would otherwise be payable on any Interest Payment Date.

Restrictions on Interest Payments:

The Issuer shall cancel any Interest Amount (or, as appropriate, part thereof) on the Securities otherwise scheduled to be paid on an Interest Payment Date to the extent that such Interest Amount together with any Additional Amounts payable, if applicable, with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on the Securities and all other "own funds" items (as defined in the Capital Requirements Regulation) of the Issuer (excluding any such interest payments or distributions paid or made on Tier 2 Capital instruments or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date.

"**Distributable Items**" has the meaning given to it in the Regulatory Capital Requirements then applicable to the Issuer, but, to the extent applicable, amended so that any reference therein to "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions by the Issuer to holders of Parity Obligations, the Securities or any Junior Obligations".

"**Junior Obligations**" means (i) any Ordinary Share or other securities of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 5(a) and/or (ii) any securities issued by any other member of the Group where the terms of such securities benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 5(a);

"**Parity Obligations**" means any obligations of the Issuer (including guarantee or other support obligations) which rank, or are expressed to rank, *pari passu* with the Issuer's

obligations in respect of the Securities on a winding-up of the Issuer prior to a Trigger Event (and, for the avoidance of doubt, shall include any other Additional Tier 1 Capital securities of the Issuer (if any) from time to time outstanding).

Solvency Condition:

Except in a Winding-Up of the Issuer or (in relation to the cash component of any Alternative Consideration) where Condition 9(c)(vii) applies, all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Issuer to cancel payments under Condition 6(a) and Condition 9(a)(ii), conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer shall, for these purposes, be considered to be solvent at a particular time if (x) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (y) the Issuer's Assets exceed its Liabilities.

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in its latest published audited balance sheet, but adjusted for contingencies and subsequent events in such manner as the Directors of the Issuer or the auditors of the Issuer may determine.

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer, as shown in its latest published audited balance sheet, but adjusted for contingent and prospective liabilities and for subsequent events in such manner as the Directors of the Issuer or the auditors of the Issuer may determine.

Status:

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu*, without any preference among themselves. No security or guarantee of whatever kind has been, or will at any time be, provided by the Issuer or any other person to the Securityholders in respect of their rights under the Securities.

Optional Redemption:

Subject to certain conditions, the Issuer may, at its option, redeem the Securities, in whole but not in part, (i) on any day falling in the period commencing on (and including) 7 October 2026 and ending on (and including) the First Reset Date or (ii) on any Reset Date thereafter at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Early Redemption due to a Capital Disqualification Event:

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Early Redemption due to a Tax Event:

Subject to certain conditions, if at any time a Tax Event has occurred, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Purchase:

Subject to certain conditions, the Issuer or any of its Subsidiaries may, at any time, purchase or otherwise acquire for its account Securities in any manner and at any price.

Conditions to Redemption or Purchase:

Any redemption or purchase of the Securities by or on behalf of the Issuer or its Subsidiaries is subject to:

- (i) the Issuer obtaining Regulatory Approval and being in compliance with the Regulatory Preconditions;
- (ii) the Solvency Condition being satisfied (as described herein) on the date scheduled for redemption or purchase; and
- (iii) no Trigger Event having occurred prior to the date scheduled for redemption or purchase.

Enforcement:

If default is made by the Issuer in the payment of any amount in respect of the Securities and such default continues for a period of seven (7) days or more from the date such payment is due, the Trustee may, unless proceedings for a Winding-Up have already commenced, institute proceedings for the Winding-Up of the Issuer.

In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee), the Trustee may prove in the Winding-Up of the Issuer and such claim will be subordinated as provided in the Conditions.

Conversion:

If the Trigger Event occurs, each Security shall be automatically and irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, and the issuance of such Ordinary Shares to the Settlement Shares Depository to be held on trust for the Securityholders. The Conversion shall occur without delay and by no later than one (1) month (or such shorter period as the Supervisory Authority

may then require) upon the occurrence of a Trigger Event.

Trigger Event:

The Trigger Event shall occur if at any time the Common Equity Tier 1 Capital Ratio of the Group falls below 7.00 per cent.

The Trust Deed provides that if the Trustee, in the exercise of its functions, requires to be satisfied as to any fact (including, without limitation, as to whether a Trigger Event has occurred), it may call for and accept as sufficient evidence of that fact a certificate signed by two Authorised Signatories of the Issuer as to that fact.

Conversion Price:

The Conversion Price per Ordinary Share in respect of the Securities is £3.199 subject to certain anti-dilution adjustments as described herein.

Conversion Shares Offer:

Not later than the third Business Day prior to the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election by giving a Conversion Shares Offer Election Notice that the Settlement Shares Depositary (or an agent on its behalf) will, in the Issuer's sole and absolute discretion, make an offer to all or (in the Issuer's sole and absolute discretion) some of the Issuer's existing Shareholders at such time for such Shareholders to purchase or acquire all or some of the Ordinary Shares to be delivered on Conversion, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price.

The Conversion Shares Offer Period shall end no later than 40 Business Days after the giving of the Conversion Shares Offer Election Notice by the Issuer.

Upon expiry of the Conversion Shares Offer Period, the Settlement Shares Depositary will provide notice to the Holders of the Securities and to the Trustee and the Principal Paying Agent and the Conversion Agent of the composition of the Alternative Consideration (and of the deductions to the cash component, if any, of the Alternative Consideration (as set out in the definition of Alternative Consideration)) per Calculation Amount. The Alternative Consideration shall be held on trust by the Settlement Shares Depositary for the Securityholders. The cash component of any Alternative Consideration shall be payable by the Settlement Shares Depositary to the Holders of the Securities in pounds sterling and whether or not the Solvency Condition referred to in Condition 4(a) is satisfied.

Ordinary Shares:

The Ordinary Shares to be delivered following Conversion will be delivered credited as fully paid and will rank *pari passu* in all respects with all fully paid Ordinary Shares in issue on the

	Conversion Date, save as provided herein.
No Set-off:	Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Securityholder shall, by virtue of its holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention.
Withholding Tax:	Payments in respect of the Securities shall be made free and clear of, and without any withholding or deduction for or on account of any UK taxes unless required by law. In that event, in respect of the payment of any interest on (but not, for the avoidance of doubt, in respect of principal on) the Securities, the Issuer shall pay such additional amounts as shall result in receipt by Securityholders (after the withholding or deduction) of such amount as would have been received by them in the absence of the withholding or deduction, subject to exceptions.
Structuring Adviser	NatWest Markets Plc
Joint Lead Managers	Barclays Bank PLC Citigroup Global Markets Limited NatWest Markets Plc
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent, Conversion Agent, Agent Bank, Transfer Agent and Registrar:	Citibank, N.A., London Branch
Conversion Calculation Agent:	Conv-Ex Advisors Limited
Settlement Shares Depositary:	A financial institution, trust company or similar entity (which in each such case is independent of the Issuer) of recognised international or national standing to be appointed by the Issuer on or prior to any date when a function ascribed to the Settlement Shares Depositary in the Conditions is required to be performed.
Form:	The Securities will be in registered form and initially represented by the Global Certificate which will be deposited on or about the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Global Certificate will be exchangeable for definitive certificates in limited circumstances, as set out in “ <i>Summary of provisions relating to the Securities while represented by the Global Certificate</i> ” below.
Denomination:	£200,000 and integral multiples of £1,000 in excess thereof.
Listing:	Application will be made to the London Stock Exchange plc for the Securities to be admitted to trading on the ISM with effect from on or around the Issue Date.
Clearing:	The Securities have been accepted for clearing by Euroclear

and Clearstream, Luxembourg.

ISIN:

XS2391408072

CFI:

DBFXPR

FISN:

OSB GROUP PLC/EUR NT PERP SUB

Ratings:

The Securities are expected to be rated B+ by Fitch.

Governing law:

English law.

Risk Factors:

See “*Risk Factors*” below.

Use of Proceeds:

The net proceeds of the issue will be used by the Issuer for general corporate purposes of the Group and to further strengthen the Group’s regulatory capital base. The net proceeds will be partially down-streamed to each of OSB and CCFSL, and the Group intends, as at the date of this Offering Memorandum, for the proceeds down-streamed to OSB to be used, in part, to finance the concurrent tender offer by OSB of its existing Additional Tier 1 Instrument.

Selling Restrictions:

See “*Subscription and Sale*” below.

RISK FACTORS

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

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

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

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

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

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

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

If a disruption to the residential housing and rental markets, disruptive environmental and social trends or events, or an adverse change in economic or political conditions or regulatory requirements were to adversely affect the mortgage lending market segment for buy-to-let or new build properties, or were to have a disproportionate effect on residential and rental property markets and/or borrowers in London and the South East of England, it is likely that the Group will experience deterioration in the volume of demand for its products. The Group would likely be disproportionately affected and be exposed to greater potential losses relative to other specialist banks operating in the same market segments but which have a more diversified portfolio, both in terms of loan products and geographic distribution. In particular, the long-term economic and customer behavioural implications of the COVID-19 pandemic could adversely impact the Group's performance and growth prospects within London and the South East of England.

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

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

1.2 The COVID-19 pandemic could adversely impact the Group across a number of key financial and operational areas, including its operations in India.

The Group has assessed and will continue to assess the potential for disruption caused by the COVID-19 pandemic and has put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of an evolving situation. Nevertheless, the ongoing uncertainties surrounding the COVID-19 pandemic could continue to adversely impact the Group across a number of key financial and operational areas. This could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. These are as follows:

- the asset quality of the Group could be impacted through declining customer affordability, increasing delinquency and diminishing underlying security values. This would feed through into increasing credit write-offs, credit provisions and capital requirements. The Group may also be required to re-evaluate the key judgements and assumptions underpinning its business, capital, provisioning and wider risk models;
- the Group's capital requirements may reduce relative to its business-as-usual plans owing to reduced lending volumes. Additionally, opportunities to effectively deploy capital may also diminish as the capital generating capacity of the Group is impacted by declining net interest margins and increasing inefficiencies in the underlying operating model;
- the Group's funding sources could be impacted as retail savers prioritise their diminishing available funds towards daily essentials. Wholesale markets could also experience reduced liquidity and risk appetite;
- the Group's operational capacity could be adversely impacted as a consequence of sickness-based absenteeism, remote and distributed working arrangements and restricted international and local travel;
- the Group's service quality levels could be adversely impacted as a consequence of increased information requests and transactional support requirements. This would put additional pressure on diminishing customer facing teams and would adversely impact service quality levels and may result in poor customer outcomes and remediation costs; and
- the Group's operational risk and resilience profiles could also be adversely impacted as a consequence of reduced staffing levels, declining effectiveness of third-party support services and increased propensity for human error owing to a reduced and stretched workforce.

In addition, the support operations of the Group are based in India. However, the long-term impact of COVID-19 related disruptions and/or a resurgence in COVID-19 cases in India (resulting in additional quarantine restrictions and/or affecting the ability of OSB India's employees to perform their jobs) could have a material adverse impact on the operational effectiveness and efficiency of the Group's and the Group's operations in India. If a resurgence in COVID-19 cases in India resulted in the Group having to close (whether temporarily or on a more permanent basis) its operations in India, this could have a material adverse impact on the operations of the Group as a whole.

1.3 The Group is subject to new guidance issued by the FCA in connection with the COVID-19 pandemic that may have a negative effect on the Group's portfolio.

On 20 March 2020, the FCA published new guidance for, inter alia, mortgage lenders and administrators entitled '*Mortgages and coronavirus: our guidance for firms*' in connection with the on-going outbreak of the COVID-19 pandemic in the UK. The FCA subsequently updated that guidance, most recently on 17 November 2020, to provide continued support for customers struggling to pay their mortgage due to the ongoing effects of the COVID-19 pandemic and government actions in response to it (together, the "**FCA COVID-19 Guidance**"). The FCA COVID-19 Guidance applies to firms within the Group.

Pursuant to the FCA COVID-19 Guidance, customers of the Group were able, until 31 March 2021, to request a payment holiday (referred to in the FCA COVID-19 Guidance as a "**payment deferral**") in respect of a maximum of six monthly payments in total (covering payments up to and including July 2021) if they were experiencing, or reasonably expected to experience, payment difficulties due to circumstances relating to COVID-19. Customers benefitting from an existing payment deferral on 31 March 2021 were also eligible for a further deferral if it covered payments consecutive with those deferred under that existing deferral. In both cases, customers were permitted to defer a maximum of six monthly payments between 20 March 2020 and 31 July 2021, subject to a maximum of three monthly payments per each individual payment deferral. The relevant firms within the Group were in each case required to agree to such deferrals unless they had determined (acting reasonably) that it was not in the customer's interests to do so.

Any customer who received a payment holiday under the FCA COVID-19 Guidance and indicated they could not immediately resume full payments at the end of that initial payment holiday were required to be offered a further full or partial payment holiday, where the mortgage lender permitted the customer to make a further three reduced monthly payments for an amount the customer considered they could afford, provided that the final deferred payment fell no later than July 2021.

The FCA has also published additional guidance (most recently updated in March 2021) for firms regarding mortgages and coronavirus (the "**Tailored Support Guidance**"). The Tailored Support Guidance sets out the FCA's expectations of firms dealing with customers who: (i) have had the maximum number of payment deferrals available to them under the FCA COVID-19 Guidance; (ii) experience payment difficulties as a result of circumstances relating to coronavirus after 31 July 2021; (iii) are eligible for a further payment deferral in accordance with the FCA COVID-19 Guidance; or (iv) can resume contractual payments at the end of a payment deferral but do not capitalise or repay the deferred amounts.

Among other things, the Tailored Support Guidance states that: (i) if a customer is at the end of a payment deferral, and is not continuing to receive support under the FCA COVID-19 Guidance, but indicates that they continue, or reasonably expect to continue, to face payment difficulties, the firm should treat the customer fairly and should work with the customer to resolve these difficulties before payments are missed; and (ii) the FCA expects firms to be flexible and employ a full range of short- and long-term forbearance options to support their customers and minimise avoidable financial distress and anxiety to customers in financial difficulty (which could include, for example, extending the term of a mortgage, changing the type of mortgage or deferring payments). In particular, the additional guidance states that, in relation to some second charge mortgages, there is a particular risk of harm from the total debt escalating significantly when a customer defers payments or enters payment shortfall and it is particularly important that, in such cases, firms consider using a range of forbearance options (including applying simple interest, rather than compound interest, to any payment shortfall or reducing the interest rate charged on these sums (in some cases to 0 per cent.)). It also states that, at the end of a payment holiday period under

the FCA COVID-19 Guidance, there will be no payment shortfall for the purposes of MCOB 13 where the accrued amounts are repaid before the next payment is due (including where the sums are capitalised) and, unless the customer is unreasonably refusing to engage with the firm in relation to addressing a payment holiday shortfall, a firm should not repossess without the customer's consent solely because of such a shortfall. It also states that firms taking steps to enforce repossession of properties should only do so as a last resort once all other reasonable attempts to resolve the customer's position have failed.

The ability of such borrowers to resume mortgage payments (in relation to both interest and principal amounts outstanding) when their payment holidays cease to apply will be dependent on the individual borrower's financial position and prospects. Failure to recommence such payments and the implementation of forbearance and enforcement measures may have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

1.4 The Group is exposed to risks relating to relationships with intermediaries.

The Group is reliant on a network of intermediaries and has limited direct oversight of intermediaries' interactions with prospective customers outside of its regulatory responsibilities. If intermediaries do not comply with applicable regulations or standards when selling the products, this may result in customer detriment and a poor customer experience, the Group's reputation could be harmed and it may suffer other adverse consequences. The Group's risk management processes include undertaking due diligence and other compliance checks as part of the onboarding process for new intermediaries and, thereafter, on an ongoing basis. These processes will help to reduce, but will not remove, the risks associated with the Group's relationships with intermediaries.

Furthermore, the Group could lose the services of intermediaries with whom it does business, for example, as a result of market conditions causing their closure or intermediaries switching to competitors due to higher commissions or other incentives. In particular, the measures on social distancing and requirements to work from home introduced by the UK Government in response to the COVID-19 pandemic could adversely impact the quality of service offered by intermediaries and lead to a material reduction in business volumes for intermediaries, forcing them to close their businesses. The loss or deterioration of relationships with intermediaries could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

1.5 The Group's success is dependent upon the ongoing success of the process to integrate the Charter Court Business with the OSB Business and deliver the value of the combined underlying business; the synergies expected from this integration may not be fully achieved.

The Group's future prospects will, in part, be dependent upon the Group's ability to integrate the OSB Business and the Charter Court Business successfully and completely, without disruption to the existing businesses.

While the Issuer believes that the synergies of the acquisition by OSB of CCFS have been reasonably estimated, unanticipated events (such as the disruption caused by the COVID-19 pandemic), liabilities, tax impacts or unknown pre-existing issues may arise or become apparent which could result in the costs of integration being higher and the realisable benefits/synergies being lower than expected, resulting in a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. No assurance can be given that the integration process will deliver all of the expected benefits within the assumed time frame. The Group will face numerous challenges when integrating the OSB Business and the Charter Court Business, including, among others, retaining key contracts, harmonising ways of working, realising synergies, standardising policies and procedures, processes and systems, aligning shared values and retaining key employees of the OSB Business and/or the Charter Court Business and the corporate memory of the Charter Court Business. If the Group does not properly manage these challenges, they may affect the effective running of the Group's business in the ordinary course and the efficient allocation, including redeployment, of resources in the Group.

Further, during the integration period, the Group may not be in a position to acquire other companies or businesses that it might otherwise have sought to acquire. In view of the demands that the integration process may have on management time, it may also cause a delay in other projects contemplated by the Group.

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

The Group is reliant on third party service providers to provide mortgage origination and servicing systems, a savings processing system and core reporting and data management systems. If these providers were to deliver these services poorly or were unable to provide these services, this may result in customer detriment and a poor customer experience and could give rise to reputational damage to the business of the Group and its brands and/or to financial losses. In turn, this may harm the ability of the Group to raise funds via retail deposit-taking and result in loss of custom from existing customers, potentially limiting its flexibility to fund new mortgage lending due to lack of funding or making such lending more expensive. In addition, this may also impact lending decisions and volumes.

In addition, the business of the Group is reliant on the major UK banks which act as clearing banks and payment services providers. If, as a result of a failure by a clearing bank, borrowers were not to receive funds lent by the Group in a timely manner, such borrowers may be unable to complete on property purchases. Equally, as a result of a failure by a clearing bank, customers of the savings banks of the Group may not receive principal or interest paid in a timely manner. There can be no assurance that such failures will not occur or that the general level of service provided by such clearing banks or payment services providers will not deteriorate. Such failures in service levels could give rise to reputational damage, which could adversely affect the Group and its business prospects. In addition, the fees that the clearing banks and payment services providers charge the Group may rise, which may affect the pricing and therefore the attractiveness of the saving products of the Group and therefore its ability to raise funds rapidly through securing new retail savings deposits and/or have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

Prolonged outages of the decision-making platform or any difficulties experienced in updating the platform to reflect new market conditions (such as those brought about by the COVID-19 pandemic), changing regulatory requirements or problems identified with the platform architecture and decision-making process or mortgage servicing and arrears support (for example, in the context of a significant

credit challenge) could lead to the Group having to rely on employing larger numbers of underwriting, compliance, risk management, collections or servicing staff and/or other financial services personnel, which could have a material adverse effect on the results of operations of the Group and which may also lead to the Group experiencing an increase in reported impairments and loan losses, for example, as a result of identified problems with the platform not being corrected or as a result of the increased risk of human error introduced by a greater degree of reliance on human decision-making. Additionally, were the Group to experience service issues with its software suppliers or were disputes to arise over the licence fees and other fees and costs payable for their services, or were a software supplier to experience insolvency issues, it is not certain that the Group would be able to identify an alternative supplier quickly nor is it certain that an alternative supplier would be able to provide an equivalent level of service on competitive terms, or at all.

The Group relies on suppliers of panel management services to manage relationships with preferred panels of conveyancers, real estate solicitors and valuers (including asset finance valuers). While the risk of being unable to replace the services provided by the conveyancers, real estate solicitors and valuers is minimal, there could be disruption to provision of these services if the provider of panel management services were to enter liquidation, as panel management would need to be handled in-house or a new provider engaged at short notice. Such disruption may restrict the ability of the Group to offer certain of its mortgage products, reduce the profitability of these transactions and potentially increase loan loss impairments.

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

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

Credit risk models seek to determine relative credit quality and are used in the lending decision-making process and to help assess the credit risk profile of mortgage portfolios and for other related purposes, such as stress testing. There is a risk that an adverse outcome occurs as a direct result of undetected or undetectable latent weaknesses or failures in the design or use of any such models (including as a result of events unforeseen during the design of the platform and risk models) that have not yet become apparent. In particular, the performance and predictability of risk models could be adversely impacted by the unique circumstances of, and changing borrower behaviours resulting from, the credit cycle downturn caused by the COVID-19 pandemic.

Additionally, once the Group has identified a design flaw or latent weakness in the platform software or its risk models, or has determined that unforeseen economic, political or market conditions or regulatory action have resulted in a need to recalibrate its underwriting criteria or its risk appetite and/or offer new products, the platforms and model may not be capable of being updated immediately or even reasonably promptly, potentially resulting in the Group underwriting mortgage loans that do not satisfy its existing risk appetite or meet its affordability criteria, potentially exposing it to increased risk of impairments and losses, to regulatory sanctions and increased capital requirements. Equally, a design flaw or latent weakness in the platform software or its risk models, or failures in the implementation of the instructions

by third party service providers, may result in the digital decision-making platforms of the Group turning down applications that would otherwise have fallen within the risk appetite and underwriting policies, resulting in the loss of profitable opportunities. The Group may also be required to hire additional employees and/or divert other resources to manage an increased manual underwriting workload while the platforms are updated to correct any problems identified, which may result in a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

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

1.8 The Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity.

The Group is subject to regulation regarding the use of personal data (including, in particular, the UK General Data Protection Regulation). The Group processes large amounts of personal data (including name, address and bank details) as an integral part of its business and, therefore, must comply with strict data protection and privacy laws in the jurisdictions in which the Group operates. Such laws govern the Group's ability to collect and use personal information relating to employees, customers and potential customers, including the use of that information for marketing purposes. The Group seeks to ensure that appropriate governance, third party vendor due diligence policies and procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers. Notwithstanding such efforts, the Group remains exposed to the risk of a data breach in which such personal data is wrongfully appropriated, lost or improperly disclosed in breach of data protection legislation. If the Group or any of the third party service providers on which it relies fails to store, handle or transmit personal data in compliance with relevant laws and regulations or if any damage to or loss or inadvertent deletion of personal data were otherwise to occur, the Group would be at risk of significant regulatory liability and potential litigation. In the UK, this liability could extend to a fine imposed by the Information Commissioner's Office (the "ICO") of up to £17.5 million or four per cent. (4%) of the undertaking's total annual worldwide turnover in the preceding financial year, whichever is higher.

The Group could also be at risk of cyber-crime. Although the Group implements security measures designed to mitigate this risk, the Group and/or third party service providers on which it relies could be a target of cyber-attacks designed to penetrate network security or the security of internal systems, misappropriate proprietary information or customer information and/or cause interruptions to the Group's services. Such attacks could include hackers or insiders with criminal intent obtaining access to the Group's own or the Group's service providers' systems, the introduction of malicious computer code or denial of service attacks. If an actual or perceived breach of the Group's network security occurs or personal data is stolen, it may expose the Group to the loss of information, litigation and liability under data protection laws. Such a security breach could also divert the efforts of the Group's technical and management personnel.

In particular, the risk of cyber-crime is heightened in the context of the COVID-19 pandemic. The disruptive nature of the COVID-19 pandemic has caused significant changes to consumer behaviours as the Group has encouraged its customers to register for and access services online. These changes in consumer behaviour have increased the risk of IT security failures arising, requiring the Group to make changes to its operating model and, as a result, increasing the Group's vulnerability to cyber-crime risk. Additionally, although the Group has implemented controls to manage the increased risk of fraudulent activity in the context of the COVID-19 pandemic, the Group remains exposed to the increased risk of

criminals seeking to target customers with fraudulent emails, phone calls, text messages or social media posts against the backdrop of the pandemic.

The Group could also be at risk of either internal or external fraud related events, which can be described as wrongful or criminal deception by a person which is intended to result in inappropriate financial gain or benefit by such person at the detriment of the Group or its customers. The Group has dedicated systems and resources to monitor and manage fraud risk. However, notwithstanding this, the Group experienced a third party fraud event in relation to a single funding line in 2021. This event resulted in the Group's processes and controls being independently reviewed, with the conclusion being that this was an isolated incident. However, the review recommended a number of enhancements to the Group's processes and controls to mitigate such fraud risk, the majority of which have as at the date of this Offering Memorandum been implemented with the remaining recommendations to be implemented by 31 December 2021. Despite these controls and procedures, the Group remains exposed to the risk of any future fraud related events.

In addition to the risks contemplated above, any of these events could also result in the loss of the goodwill of the Group's customers and deter new customers, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

Extreme market disruptions, such as the severe dislocation experienced in the funding and credit markets following the onset of the global financial crisis of 2007 - 2008, could result in a prolonged and severe restriction on the ability of the Group to access funding and a prolonged and severe decline in consumer confidence, resulting in high levels of withdrawals by retail savings customers which could affect the ability of the Group to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, and/or to fulfil its commitments to lend. In such extreme circumstances, the Group may not in the longer term be in a position to continue to operate without additional funding support.

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

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

The Group's funding sources could be adversely impacted by the COVID-19 pandemic as retail savers prioritise using their diminishing available funds to acquire daily essentials. Savings account balances may also decline as savers reduce savings and investments so as to not hold savings and investments with a single bank that are in excess of the deposit insurance scheme limit and so would fall outside of its protection. Wholesale markets may experience reduced liquidity and risk appetite, including as a result of the withdrawal or reduction of aggressive central bank open market operations and other fiscal and macroeconomic measures. The ultimate extent, duration and impact of the COVID-19 pandemic, or its impact on the Group's access to funding, cannot currently be accurately predicted.

The Group maintains a range of funding programmes, including securitisations and the Term Funding Scheme ("TFS"), which closed for future funding on 28 February 2018 but provides for phased repayments until final maturity in 2022. Additionally, as part of its COVID-19-related measures, in March 2020 the Bank of England introduced a new term funding scheme which will offer four-year funding of at least 10 per cent. of participants' stock of real economy lending at interest rates at (or very close to) the Bank of England's base rate (which is currently 0.1 per cent.), and provide additional funding for those banks that increase lending to small and medium-sized enterprises ("SMEs"). The scheme opened on 15 April 2020 for an initial twelve (12) month period, and was extended for a further six (6) months by the Bank of England, with the drawdown period for the scheme running until 31 October 2021. OSB is currently participating in the scheme. The availability of wholesale funding depends on a variety of factors including market conditions, the general availability of credit (in particular to the financial services industry), the volume of trading activities, and funding markets' assessment of the Group's credit strength. These and other factors may limit the Group's ability to raise funding in wholesale markets which could result in an increase in the Group's cost of funding or have other adverse effects on the Group's business, financial condition, results of operations and/or prospects.

1.10 Reputational risk could adversely affect the Group.

The Group's reputation is one of its most important assets and its ability to attract and retain customers and staff and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of its brands is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Group and its business prospects. The highly competitive market in which the Group operates means that reputational damage that it suffers may have a significant negative impact on its ability to attract and retain customers. In addition, reputational damage associated with particular brands under which the Group sells its products may result in it having to cease to operate those brands.

A failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Group, which could have a material adverse effect on its business, financial condition, results of operations and/or prospects and could damage its relationships with its regulators. The Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

1.11 The support operations of the Group are based in India and could be affected by a number of economic, political and other factors affecting India (in addition to the COVID-19 pandemic), which are beyond the control of the Group.

The Group's strategy and operations in India, which are conducted by OSB India Private Limited a wholly-owned subsidiary of the Issuer based in Bangalore, India ("OSB India"), could be adversely affected by economic, political, legal and regulatory changes in that country (in addition to those arising as a result of the COVID-19 pandemic, as described above). In particular, foreign companies operating in

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

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

Operational risks are inherent in the day-to-day operational activities of the Group and may result in direct or indirect losses that could adversely impact the Group's business despite the processes and systems that the Group implements to address such risks. These losses may result from both internal and external events and risks. Unexpected external events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, extreme weather events, political, security and social events and failings in the financial services industry. Another such external event is the ongoing COVID-19 pandemic, the ultimate extent, duration and impact of which cannot currently be accurately predicted.

As described above, owing to the COVID-19 pandemic, the Group's operational capacity has been, and could continue to be, adversely impacted as a consequence of sickness-based absenteeism, remote and distributed working arrangements and restricted international and local travel. Service quality levels may also have been, and could continue to be, adversely impacted as a consequence of increased information requests and transactional support requirements, which has put, and could continue to put, additional pressure on customer facing teams that are already diminished as a result of the COVID-19 pandemic. The additional pressure on customer facing teams could result in an increased propensity for human error, poor customer outcomes and rising remediation costs. The Group's operational risk and resilience profiles have also been, and could continue to be, adversely impacted as a result of declining effectiveness of third-party support services.

The Group may be exposed to extreme and unpredictable events which may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating the Charter Court Business with the OSB Business, in particular, due to problems with migrating data, systems (such as IT systems) or processes.

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

The Group may look to implement new operational processes and systems to assist in responding to market developments. Due to the scale and complexity of such projects, the Group may be required to

invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

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

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

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

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

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

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

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

Any downgrade in the external credit ratings assigned to the Group or any of the Group's debt securities could have an adverse impact on the Group. In particular, a downgrade in the Group's credit ratings could

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

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

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

2. RISKS RELATING TO THE GROUP'S INDUSTRY

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

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

A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults and recoveries against customers. Increased defaults and recoveries could lead to higher impairment provisions and losses being incurred by the Group. Higher impairment provisions could reduce the Group's capital and its ability to engage in lending and other income-generating activities as well as result in increased capital requirements. As a result, a decline in property prices could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. Furthermore, a fall in property prices could negatively impact the capital of the Group.

Borrowers of buy-to-let mortgages have benefitted in recent years from a combination of low interest rates, rising property prices and increasing rents. 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 property prices, the credit performance of the buy-to-let mortgage book of the Group could deteriorate, which in turn could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

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

As customers of the Group are predominantly based in the UK, the Group is significantly exposed to the condition of the UK economy. In particular, factors such as the impact of the COVID-19 pandemic on the UK economy, UK property prices, levels of employment, interest rates and changes in consumers' disposable income can each have a material effect on demand for the Group's products. In addition, levels of retail and SME borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, employment trends, the level of inflation, market interest rates and the broader state of the UK economy. The Group will be directly and indirectly affected by geopolitical developments, market conditions in the UK and other economies and the state of the global financial markets both generally and as they specifically affect financial institutions.

Should macroeconomic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely affect the business, financial condition, results of operations and/or prospects of the Group. In particular, a significant rise in UK unemployment levels could increase the risk of borrower defaults, given that the associated negative impact on borrowers' or tenants' incomes may result in borrowers being unable to make mortgage repayments on time or at all. While the ultimate extent, duration and impact of the ongoing COVID-19 pandemic cannot currently be accurately predicted, it is possible that the UK financial services sector could be adversely impacted as a consequence of deteriorating credit risk profiles, market uncertainty, declining liquidity and curtailed operational capacity.

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

In response to the potential macroeconomic risks posed by the COVID-19 pandemic, a number of measures have been introduced to mitigate the impairment and capital risks posed to the Group's financial position:

- the PRA published a statement on 30 June 2020 regarding a package of measures relating to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 ("**CRR I**"), as amended on or prior to 31 December 2020 (including, without limitation, by Regulation (EU) 2019/876 ("**CRR II**")), and any regulation or implementing technical standards and other delegated

or implementing acts adopted under CRR I and CRR II, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time (together, “**CRR**”). Of particular note were revised transitional arrangements for the capital impact of IFRS 9 Expected Credit Loss (ECL) accounting, and an acceleration of the date of application of certain CRR II measures which had been planned for adoption from 28 June 2021. These included a revised small and medium-sized enterprises (SME) support factor. Both of these measures will in part help the Group mitigate capital inflation risks arising from a deterioration in the UK economy as a result of the COVID-19 pandemic.

- Joint statement November 2020: implementation of IFPR and CRR II delayed from June 2021 to January 2022; but implementation of the proposed amendments to the Basel III framework (known as Basel IV) unaffected; and
- Consultation Paper February 2021 (CP 5/21): PRA diverging from CRR II to align with Basel and increase proportionality and achieve consistency with onshored version of CRR. PRA have consulted on this, and changes will be implemented from January 2022.

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

- (i) increased cost of funding and/or reduced availability of funding;
- (ii) deterioration in the value and liquidity of assets (including collateral);
- (iii) inability to price or difficulty in pricing certain assets;
- (iv) higher provisions for bad and doubtful debts;
- (v) an increased likelihood of customer and counterparty default and credit losses;
- (vi) mark-to-market losses in the value of assets and liabilities;
- (vii) economic exposures from hedging activities and inability to hedge;
- (viii) increased cost of insurance and/or lack of available insurance;
- (ix) lower growth, business revenues and earnings; and
- (x) legislative change.

Under the terms of the EUWA, the UK withdrew from membership of the EU on 31 January 2020 and entered into a transition period expired on 31 December 2020. During the transition period, the majority of rights and obligations associated with membership of the EU continued to apply to the UK. While the UK and the EU have entered into a Trade and Cooperation Agreement setting out the terms of the future trading relationship between the EU and UK, the impact of the UK’s withdrawal from the EU on the broader UK economic environment remains uncertain. This uncertainty could negatively impact global

financial markets, consumer confidence and the UK economic environment itself. As the Group's lending activity is solely focused in the UK, it will be disproportionately impacted by any risks emerging from changes in the UK macroeconomic environment. This could include reduced demand for the Group's products which could, in turn, result in a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

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

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

Rising interest rates would put pressure on existing and new borrowers whose loans are linked to the Bank of England Base Rate, LIBOR, or alternative interest rate benchmarks, or borrowers who come to the end of an incentive period in an environment of higher market rates and who may have become accustomed to the current low interest rate environment.

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

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

A voluntary agreement has been made with the LIBOR panel banks to continue to submit to LIBOR until the end of 2021 and, therefore, LIBOR may not be available from that date (or, alternatively, it may continue to exist beyond the end of 2021 but may not operate as intended or effectively mitigate interest rate risk). If LIBOR is discontinued or otherwise unavailable, then the rate of interest on material contracts (including material financial arrangements) entered into by the Group may be determined for a period by applicable fall-back provisions under the relevant documentation. Such applicable fall-back provisions may not operate as intended or effectively mitigate interest rate risk. Moreover, in the absence of such fall-back provisions under the relevant documentation, the rate of interest on material contracts entered into by the Group may be determined for a period by reference to a rate of interest to be agreed between the relevant parties. Such rate of interest may take time to agree and, once agreed, may not operate as intended or effectively mitigate interest rate risk, or may be reformed or cease to exist.

A negative base rate, coupled with the financial markets indices (LIBOR and SONIA), could have a disruptive impact on the UK financial services sector, including the Group, from the perspective of the wider market dynamics and competition, financial performance, operational capabilities and customer outcomes and communications.

Negative base rates and market interest rate indices could also create an imbalance between the funding of balance sheet assets and liabilities which could adversely impact net operating interest margins. This could

primarily be driven by a more pronounced impact on lending rates as compared to a more muted impact on deposit rates.

Negative base rates could also impact the ability of deposit takers such as the Group to attract and retain retail savings and would require significant levels of customer communication and awareness initiatives.

The Bank of England's Monetary Policy Committee statement of 4 February 2021, in which the committee unanimously voted to maintain a 0.1 per cent. interest rate, made clear that a six month period for implementation would be required for banks were negative interest rates to be introduced, in order to minimise operational risk. At the same time, the Bank of England asked banks to prepare their operations for the possibility of introducing negative interest rates in six months.

2.4 The Group faces risks from the highly competitive environment in which it will operate.

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

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

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

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

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

Prior to the Issuer being introduced as the ultimate holding company of the Group, OSB had issued Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments to third party investors resulting in total Additional Tier 1 capital of £60,000,000, total Tier 2 capital of £45,700,000, being the eligible capital value after applying regulatory deductions of £1,700,000 to the gross issued amount of Tier 2 Capital Instruments of £47,400,000, and total regulatory capital of £1,577,400,000, each as at 30 June 2020. Following implementation of the Scheme and the introduction of the Issuer as the ultimate holding

company of the Group, these instruments ceased to be recognised in the consolidated regulatory capital resources of the Group as a result of the application of the CRR¹, however there was no impact on the recognition of OSB's Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments by OSB on an individual basis².

The Group has reviewed the terms of its legacy instruments issued by OSB to ensure they do not contain any of the features referred to as potential sources of 'infection risk' and the Group does not consider there to be issues with any significant consequences for resolvability. Subsequent to the introduction of the Issuer as the ultimate holding company of the Group, the Group has been exploring and continues to explore its options in relation to these instruments which include substitutions (substituting the Issuer for OSB as the issuer), novations, redemptions/re-issuances and an internal reorganisation. Since the introduction of the Issuer as the ultimate holding company of the Group, OSB has redeemed £22,000,000 of its Tier 2 Capital Instruments and the Issuer currently intends for the Securities issued under this Offering Memorandum to coincide with OSB carrying out a tender offer in respect of certain of its existing Additional Tier 1 Capital Instruments. The Group will continue to review opportunities to redeem legacy instruments. However, the implementation of any such mitigating actions which the Group may wish to undertake and their timing are uncertain and dependent on factors outside of the Group's control, such as the requirement to obtain regulatory and/or third party consents. The failure to effect such mitigating actions may have an ongoing material adverse impact on the regulatory capital position of the Group.

3. RISKS RELATING TO REGULATION AND LEGISLATION

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

UK banks are required to meet at all times minimum requirements for own funds and eligible liabilities ("MREL"). There is no common level of MREL applicable to all or a category of institutions; it is an institution-specific requirement. The Bank of England is required to make a separate determination on a case-by-case basis of the appropriate MREL requirement for each resolution group (and for certain individual firms within such resolution groups) in the UK, taking into account certain specified criteria, including the resolvability, resolution strategy, risk profile, systemic importance and other characteristics of each institution (such as its business and funding models), after consultation with the PRA and FCA (as applicable). These rules are designed to ensure relevant institutions have sufficient loss absorbing capacity to ensure continuity of critical functions without making recourse to public funds and to facilitate the use of the bail-in tool in a resolution scenario.

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

On 13 July 2020, the Bank of England confirmed that the preferred resolution strategy for the Group is to be bail-in with a single point of entry (being the level of the Group at which bail-in powers would be exercised) at the parent company level. Although the parent company level is currently OSB, now that the

¹ On the assumption that the PRA would interpret Articles 85 to 88 of the CRR in line with the EBA Q&A 2017_3567 and there would be no sub-consolidation at the OSB level

² OSB has permission under Article 9 of the CRR to use the individual consolidation method in respect of certain of its subsidiaries and subsidiary undertakings.

Issuer has been established as the new holding company for the Group, it is expected that the Issuer will replace OSB as the single point of entry under the Bank of England's preferred resolution strategy for the Group, although this remains subject to confirmation by the Bank of England. Additionally, CCFSL was identified by the Bank of England as a 'material subsidiary'. As such, the Group will be subject to external group consolidated MREL, and CCFSL will be subject to internal MREL on an individual basis due to its designation as a 'material subsidiary', in each case from 1 January 2023. Following the Issuer having been established as the single point of entry for the Group, it is likely that the Bank of England will also categorise OSB as a 'material subsidiary', at which point OSB would also be subject to internal MREL on an individual basis.

The Bank of England has given the Group a transitional period of three years to meet its new interim MREL requirement (i.e., until 13 July 2023) and five years to meet its new end-state MREL requirement (i.e., until 13 July 2025). Until 13 July 2023, the group consolidated MREL requirement has been set at minimum regulatory capital requirements. From 13 July 2023, the group consolidated MREL requirement has been set at 18 per cent. of risk weighted assets. From 13 July 2025, the group consolidated MREL requirement has been set at the higher of: (i) two times the sum of the Pillar 1 and Pillar 2A requirement (i.e., $2x (\text{Pillar 1} + \text{Pillar 2A})$); or (ii) if subject to a leverage ratio requirement, two times the applicable requirement.

However, only the 2020 MREL requirements are binding at present, and the 2021-2025 MREL requirements (including the interim and end-state MRELS applicable from 13 July 2023 and 13 July 2025 respectively) have been set on an indicative basis at this stage. The Group's MREL requirements are, therefore, subject to change, and this will depend on a number of factors, including (but not limited to) changes to OSB and CCFSL and their balance sheets, changes to the preferred resolution strategy applicable to OSB and CCFSL and any change in PRA or international policy that alters the ways risk weighted assets or the exposure measure of the leverage ratio (should it become applicable) are assessed. The Bank of England is not bound by those indicative requirements, and the Bank of England is currently undertaking a review of the calibration of MREL, instrument eligibility and the application of MRELS within banking groups. Consequently, the MREL regime applicable to the Group, including the quantum and timing of future MREL requirements for the Group, is subject to change.

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

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

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

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

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

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

Failure of the Group to achieve, or a delay in achieving, approval of its internal models for its mortgage portfolios for any reason may mean that it will be difficult for the Group to improve its capital management capabilities and may result in the Group being subject to less advantageous capital treatment arising as a result of proposed changes to the standardised approach, which may have a material adverse effect on, for instance, the pricing of its products, which could in turn have a material adverse effect on the Group’s business, capital position, financial condition, results of operations and/or prospects.

In addition, although it is not certain as to whether and when they will be implemented in the UK, the potential implementation of new risk weights under the standardised approach is likely to increase the capital requirements to which the Group will be subject if the Group fails to achieve approval from the PRA of its internal models for its mortgage portfolios by the implementation date. This may mean that it will be difficult for the Group to compete effectively, which could have a material adverse effect on its business, capital position, financial condition, results of operations and/or prospects.

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

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

These requirements, or the way in which they are interpreted or applied may change, including as a result of changes to the way in which the PRA interprets and applies these requirements to UK banks. In particular, the Financial Services Act 2021 gives HM Treasury the power to make regulations revoking existing provisions of the UK CRR to enable the PRA to make rules reflecting the final Basel III standards. These changes, either individually or in aggregate, may lead to further unexpected changes or

enhancements to prudential requirements in relation to the capital, leverage, liquidity and funding ratios and requirements of the Group or of operating companies in the Group. Certain of these prudential requirements take into account, among other factors, macroeconomic indicators and may increase if such indicators change.

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

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

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

In addition, a shortage of capital or liquidity that arises in the longer term could affect the ability of the Group to pay liabilities as they fall due, and pay future dividends and distributions, and could affect the implementation of the Group's business strategy, affecting future growth potential. Any inability of the Group to maintain its regulatory capital or liquidity requirements, or any legislative changes that limit the ability of the Group to manage its capital or liquidity effectively, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

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

The Group, in common with other financial services firms, has in recent years faced increased levels of regulation and greater regulatory and public scrutiny in respect of its businesses. Following the financial crisis, additional powers intended to protect consumers, ensure redress and strengthen financial stability have been granted to regulators. The principal regulators of the Group are the PRA (which is responsible for the prudential regulation and supervision of PRA-authorized firms, such as banks, insurers and major investment firms), the FCA (which is responsible for the prudential regulation of FCA-authorized firms,

such as mortgage intermediaries, and the conduct regulation of PRA- and FCA-authorized firms) and the ICO (which is responsible for the regulation of data privacy). The PRA, FCA and ICO can apply a wide range of sanctions to firms (and individuals working for firms) found to be operating in breach of law or regulation, or in a manner deemed to pose a significant risk to their statutory obligations, including public or private censure, fines, regulatory proceedings and, in extreme cases, suspension or withdrawal of authorisation to operate particular parts of their business or prosecution. This heightened level of regulatory scrutiny and the increase in the volume of regulation has resulted in financial services businesses requiring larger compliance functions and more highly qualified risk and compliance personnel, and has added significantly to the costs of such business.

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

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

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

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

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

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group, its employees or intermediaries from making improper payments or offers of

payment to foreign governments and their officials and political parties to obtain or retain business, including the Money Laundering Regulations 2017 and the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial and operational burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted.

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

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

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

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

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

- (G) regulatory restrictions on the Group's business, any of which (alone or in tandem) may cause the Group to incur significant costs and/or record provisions in its financial statements.

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

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

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

A significant proportion of current and anticipated English law and regulations currently derive from, or are designed to operate in concert with, EU law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. While the UK government has already signalled its intention to review, repeal or amend various aspects of those regimes (including under the framework created by the Financial Services Act 2021), the Group cannot predict the direction or extent of any future changes or the extent of any future divergence between the UK and EU regulatory regimes. This may increase uncertainty and compliance costs for the Group.

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

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

- (A) in January 2020 the Group was contacted by the FCA in connection with a multi-firm thematic review into forbearance measures adopted by lenders in respect of a portion of the mortgage market. The Group is responding to information requests from the FCA;
- (B) if the Group fails to comply with any relevant conduct regulations, there is a risk of a material adverse effect on its business, financial condition, results of operations and/or prospects due to sanctions, fines or other actions imposed by the regulatory authorities; and
- (C) the Group may be subject to, for example, allegations of mistreatment of existing customers, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide redress to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the

financial statements of the Group and could adversely affect future revenues from affected products.

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

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

4. RISKS RELATING TO THE SECURITIES

4.1 The Securities have no scheduled maturity and Securityholders only have a limited ability to exit their investment

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 8, the Issuer may redeem the Securities, the Issuer is under no obligation to do so and Securityholders have no right to call for their redemption. Therefore, Securityholders have no ability to exit their investment, except (i) if the Issuer exercises its rights to redeem the Securities in accordance with their terms and applicable laws, (ii) by selling their Securities or, following the occurrence of the Trigger Event and the issue and delivery of Ordinary Shares, their Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made or where the Ordinary Shares issued upon Conversion are not all sold pursuant to the Conversion Shares Offer), (iii) through the cash component of any Alternative Consideration, (iv) where the Trustee institutes proceedings for the Winding-Up of the Issuer where the Issuer has exercised its right to redeem the Securities but fails to make payment in respect of such redemption when due, in which limited circumstances the Securityholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors, or (v) upon a Winding-Up, in which limited circumstances the Securityholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by any of the actions described in (i) to (v) of the preceding sentence may be substantially less than the principal amount of the Securities or amount of the investor's investment in the Securities.

Furthermore, any redemption of any Securities by the Issuer will be subject always to Regulatory Approval and compliance with prevailing Regulatory Preconditions Requirements, and the Securityholders may not be able to sell such Securities in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Securities. Accordingly, investors in the Securities should be prepared to hold their Securities for a significant period of time.

4.2 Redemption of the Securities is at all times at the discretion of the Issuer

The Securities may, subject as provided in Condition 8, be redeemed at the sole discretion of the Issuer (i) on any day falling in the period commencing on (and including) 7 October 2026 and ending on the First Reset Date or on any Reset Date subsequent to the First Reset Date, or (ii) if a Capital Disqualification Event or Tax Event occurs, as further provided in Condition 8(c) and 8(d) respectively at their principal

amount together with accrued but unpaid interest from the then most recent Interest Payment Date, excluding any interest which has been cancelled or deemed to be cancelled.

The Issuer's right to redeem the Securities is subject, inter alia, to Condition 4(a) in relation to the solvency of the Issuer, to the Issuer giving notice to the Supervisory Authority and obtaining Regulatory Approval (if, and only to the extent, required), to the redemption not being prohibited by the Capital Requirements Regulation, to the non-occurrence of the Trigger Event and to the compliance by the Issuer with any alternative or additional pre-conditions to redemption set out in the Capital Requirements Regulation from time to time.

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect (in its sole discretion) to redeem the Securities. Where such events have occurred, there can be no guarantee that either (i) the Issuer will satisfy any conditions imposed on it by the Supervisory Authority in respect of the redemption, or that, if so, (ii) the Issuer will elect to exercise its option to redeem the Securities. The Issuer may also be expected to exercise its option to redeem the Securities before, on or after the First Reset Date if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Securities. If the Securities are so redeemed, there can be no assurance that Securityholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Securities. Furthermore, the redemption feature of the Securities may limit their market value, which is unlikely to rise substantially above the price at which the Securities can be redeemed.

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

4.3 The Securities do not contain events of default and the remedies available to Securityholders are limited

The Conditions do not provide for any events of default and the remedies available to Securityholders are limited. There is no right of acceleration in the case of non-payment of principal or interest on the Securities or of the Issuer's failure to perform any of its obligations under or in respect of the Securities.

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

The sole remedy in the event of any non-payment of principal or interest under such Securities, subject to certain conditions as described in Condition 12, is that the Trustee, on behalf of the Securityholders may, at its discretion, or shall at the direction of an Extraordinary Resolution of Securityholders or of the Securityholders of at least one quarter of the aggregate principal amount of the outstanding Securities, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Securities in any winding-up or other insolvency proceedings in respect of such non-payment.

The remedies under such Securities are more limited than those typically available to the Issuer's unsubordinated creditors.

4.4 Interest payments on the Securities are discretionary and the Issuer may cancel interest payments, in whole or in part, at any time. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto.

Interest on the Securities will be due and payable only at the sole discretion of the Issuer and the Issuer may in its absolute discretion at all times and for any reason cancel, in whole or in part, any interest payment that would otherwise be scheduled to be paid on any Interest Payment Date. The Issuer's ability to pay interest is also subject to additional restrictions, including:

- (A) Condition 4(a) in relation to the solvency of the Issuer at and following the time of payment;
- (B) Condition 6(a) in relation to certain restrictions on the making of interest payments; and
- (C) Condition 9(a) in relation to interest in respect of an Interest Payment Date which falls on or after the date of a Trigger Event.

If the Issuer cancels any scheduled interest payment, such interest payment shall not be or become due and payable at any time thereafter and in no event will Securityholders have any right to or claim against the Issuer with respect to such interest amount or be able to accelerate the principal of the Securities as a result of such interest cancellation. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose. There can, therefore, be no assurances that a Securityholder will receive any interest payments in respect of the Securities.

Following cancellation of any Interest Payment the Issuer will not be in any way limited or restricted from making any distribution or equivalent payments in connection with any Parity Obligations or Junior Obligations, including any dividend payments on the Ordinary Shares or preference shares. The Issuer may therefore cancel, in whole or in part any interest payment on the Securities at its discretion and may pay dividends on its ordinary or preference shares or on other Additional Tier 1 Capital Instruments notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

It is the Issuer's current intention that, whenever exercising its discretion to declare any dividend in respect of its Ordinary Shares, or its discretion to cancel Interest Amounts on the Securities, the Issuer will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time depart from this policy at its sole discretion.

The Securities may furthermore trade, and/or the prices for the Securities may appear, on the ISM and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Securities. However, if an Interest Payment is cancelled or deemed cancelled (in each case, in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that Interest Payment.

4.5 In addition to the Issuer's right to cancel, in whole or in part, interest payments at any time, the Conditions also restrict the Issuer from making interest payments on the Securities if the Issuer has insufficient Distributable Items (based on its individual accounts and not on its consolidated accounts), in which case such interest shall be deemed to have been cancelled

The Issuer shall cancel any Interest Amount (or part thereof) which would otherwise be scheduled to be paid on any Interest Payment Date (and such Interest Amount or the relevant part thereof shall not become due and payable on such Interest Payment Date) if and to the extent that payment of such would, when aggregated together with any interest payments or distributions which are paid or required to be paid in the then current financial year of the Issuer on the Securities and all other “own funds” items of the Issuer (excluding, among other things, Tier 2 Capital Instruments) exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date.

Any interest payment which is deemed cancelled shall not be due and shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose.

See also “*Risk Factor 4.8 - CRD IV places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders*” below.

4.6 All payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately thereafter

Condition 4(a) provides that (except in a Winding-Up) all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and that no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

Any interest payment in respect of which Condition 4(a) is not satisfied shall not be due and shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation.

Furthermore, non-payment of any interest payment or principal as a result of the solvency condition in Condition 4(a) not being satisfied shall not constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and Securityholders will not be entitled to accelerate the principal of the Securities or take any other enforcement as a result of any such non-payment.

4.7 As the Issuer is a holding company, investors in the Securities will be structurally subordinated to creditors of the Issuer’s operating subsidiaries, the level of the Issuer’s Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer’s ability to make interest payments on the Securities

The Issuer is a holding company and conducts substantially all of its operations through its subsidiaries and accordingly the claims of the Securityholders under the Securities will be structurally subordinated to the claims of creditors of the Issuer’s subsidiaries (in addition to being subordinated within the Issuer’s creditor hierarchy as further described below in “*Risk Factor 4.10 -The obligations of the Issuer are unsecured and subordinated and the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares*”). The Issuer’s rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary’s creditors and any preference shareholders, except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. The

Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Securities.

In the event of a Newco Scheme, the Issuer may without the consent of Securityholders, at its option, procure that Newco is substituted under the Securities as the issuer of the Securities. If such a substitution occurs the claims of Securityholders will be structurally subordinated to the creditors of the subsidiaries of Newco, including the remaining creditors of the Issuer.

Further, as a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make interest payments on the Securities, are a function of the Issuer's existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer's operating subsidiaries up the Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer's subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. Further, the Issuer's rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and any preference shareholders, except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. The Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Securities.

4.8 CRD IV places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders

CRD IV introduced capital buffer requirements that are in addition to the Pillar 1 requirements and Pillar 2A requirement and are required to be met with Common Equity Tier 1. It introduced five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions ("G-SII") buffer, (iv) the other systemically important institutions ("O-SII") buffer and (v) the systemic risk buffer ("SRB"). Some or all of these buffers may be applicable to the Group as determined by the PRA. In March 2020, in response to the COVID-19 pandemic, the Bank of England's Financial Policy Committee reduced the UK counter-cyclical buffer to 0 per cent. and expects to maintain this rate for at least twelve months, so that any substantive increase would not take effect until Q4 2022 at the earliest. Additionally, the PRA has decided to maintain the rates of firms' O-SII buffer (which now applies to ring-fenced bodies and large building societies to address their domestic and global systemic importance in the way the SRB did prior to the implementation of CRD V on 29 December 2020) at the SRB rate set in December 2019 until December 2022, with no rate changes taking effect until January 2024. The PRA also has the power to implement the SRB to address macroprudential or systemic risks not covered by Pillar 1 requirements or the G-SII buffer and O-SII buffer, but stated in December 2020 in Policy Statement PS26/20 that it does not plan to introduce an SRB

at this time (with the effect that the SRB rate shall remain at 0 per cent.). The SRB rate applies cumulatively with the higher of an institution's G-SII or O-SII buffer rate. The "combined buffer requirement" is, broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the SRB applied cumulatively with the higher of (depending on the institution), the G-SII buffer and the O-SII buffer, in each case as applicable to the institution.

In a policy statement published in November 2016 (PS30/16), the PRA indicated that firms failing to meet the "combined buffer requirement" and the PRA buffer described below will be expected to notify the PRA of this as soon as practicable and that such firms can expect enhanced supervisory action and should prepare a capital restoration plan.

Under Article 141 (Restrictions on distributions) of the CRD IV Directive, institutions that fail to meet the "combined buffer requirement" are subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to common equity tier 1 such as the Ordinary Shares, variable remuneration and payments on Additional Tier 1 Capital Instruments such as the Securities). The Group would be considered to fail to meet the combined buffer requirement for the purposes of Article 141 of the CRD IV Directive (as amended by CRD V) in the event that it does not have own funds in an amount and of the quality needed to meet at the same time: (i) the requirement defined in Article 128(6) of the CRD IV Directive (i.e. the combined buffer requirement); (ii) its 4.5 per cent. Pillar 1 Common Equity Tier 1 ("CET1") requirement and its Pillar 2A CET1 requirement; (iii) its 6 per cent. Pillar 1 Tier 1 requirement and its Pillar 2A Tier 1 requirement; and (iv) its 8 per cent. Pillar 1 total capital requirement and its Pillar 2A total capital requirement. Pursuant to policy statements published in December 2020 (PS26/20 and PS29/20), in addition to increasing the Pillar 2A composition requirement from 56 per cent. Common Equity Tier 1 to 56.25 per cent. Common Equity Tier 1, the PRA removed the restriction on firms from making distributions that would cause their CET1 levels to fall into the combined buffer from 11:00pm on 31 December 2020 (the "**Effective EU Exit Time**"), but expects that firms provide the PRA with advance notice of any distribution that would bring a firm's capital levels into the combined buffer, a requirement consistent with BCBS standards.

Once a firm fails to meet its combined buffer for the purposes of Article 141, firms are subject to mandatory restrictions on the amount of certain distributions or payments they can make. This maximum amount of discretionary payments (the "**maximum distributable amount**") is calculated by multiplying the profits of the institution by a scaling factor, net of tax. Where Common Equity Tier 1 not used to meet the own funds requirement is in the bottom quartile of the combined buffer, the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In order to strike an appropriate balance between buffer usability and capital conservation, the PRA in PS26/20 and PS29/20 amended the definition of the maximum distributable amount, to include certain profits already recognised as CET1 from the past four calendar quarters net of distributions. In the event of breach of the combined buffer requirement, the Issuer will be required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

Firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers above their minimum leverage ratio requirements will not face automatic restrictions on their distributions; however, where a firm does not hold an amount of Common Equity Tier 1 that is equal to or greater than its countercyclical leverage ratio buffer ("**CCLB**") (currently calibrated at 35 per cent. of the countercyclical capital buffer rate) or its additional leverage ratio buffer ("**ALRB**") (currently calibrated at 35 per cent. of the G-SII buffer rate) as applicable, it must notify the PRA immediately and prepare a capital plan and submit it to the PRA. This may, but would not automatically, provide for or result in

restrictions on discretionary payments being made by the Group. The PRA also has the power to set an additional capital requirement on a consolidated basis, the Leverage Ratio Group Add-on. On 15 December 2020, the PRA published a Dear CEO letter explaining that the Financial Policy Committee and Prudential Regulation Committee also intend to conduct a review of the UK leverage ratio framework. The outcome of such review is unknown and any resulting regulatory changes may have an adverse impact on the Group or the Issuer's, regulatory requirements.

The Group's capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. The PRA increased transparency around the Pillar 2A process through the publication of policy statements on its methodology for setting Pillar 2 Capital, which was updated in January 2020 in Policy Statement PS2/20 and on CRD V in December 2020 in Policy Statement PS26/20. In May 2020, in response to the COVID-19 pandemic, the PRA announced that it will set Pillar 2A requirements as a nominal amount in firms' 2020 and 2021 supervisory review and evaluation processes, instead of a percentage of total risk weighted assets. The PRA also has additional tools to require firms to hold additional capital, including, for example, a "PRA buffer" (which replaced the PRA Capital Planning Buffer in 2015), which forms part of the Pillar 2B capital buffers and supplements the CRD IV combined buffer requirement. The PRA buffer was phased in over the period from 1 January 2016 to 1 January 2019 and must be met fully with CET1, in addition to the CET1 used to meet the Pillar 1 and Pillar 2A capital and combined buffer requirements. In PS15/20, the PRA introduced a requirement to temporarily increase the PRA buffer to offset some of the reductions in Pillar 2A requirements resulting from the use of a nominal amount instead of a percentage of total risk weighted assets. A failure to satisfy the PRA buffer, if one were to be imposed on the Group, could result in the Group being required to prepare a capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group.

Investors may not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time. In this regard, the PRA published a Supervisory Statement (SS6/14) and a Policy Statement (PS3/14) in April 2014 which set out the expectations of the PRA on CRD IV capital buffers and provide some clarifications of the PRA rules. The Policy Statement (PS3/14) also contains the final rules implementing the capital buffers requirements of the CRD IV Directive, most of which (including Rule 4.3 which sets out the method of calculating the maximum distributable amount and restrictions on distributions on Additional Tier 1 Capital Instruments relating to maximum distributable amount) came into force on 1 May 2014. The PRA updated Supervisory Statement (SS6/14) in January 2020 and December 2020 and Policy Statement (PS3/14) in January 2020 following the updates to the Pillar 2 Framework contained in Policy Statement PS2/20 mentioned above, which was intended to bring greater clarity and transparency to the PRA's capital setting approach and the updates in PS26/20 and PS29/20 mentioned above. In a Supervisory Statement (SS16/16) issued in November 2016 and most recently updated in December 2020, the PRA set out its policy regarding the interaction of the MREL, made up of own funds and debt securities qualifying as eligible liabilities, with firm's capital and leverage buffers. The Supervisory Statement (SS16/16) clarifies the PRA's expectations regarding the amount of CET1 that a firm should not count simultaneously towards buffer requirements and MREL (i.e. an amount equal to the size of a firm's usable buffer derived from the MREL requirement and the buffer requirements), and sets out the consequences of not maintaining sufficient CET1 to meet both the usable buffer requirement and MREL, including enhanced supervisory action or a requirement to take steps to strengthen the capital position which could include restricting or prohibiting distributions where appropriate and proportionate. The PRA expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. The Bank of England also published a Statement of Policy on its approach to setting MREL in June 2018 which should be read in conjunction

with the PRA Supervisory Statement (SS16/16). The Bank of England's Statement of Policy largely affirmed its earlier approach to MREL but extended the transitional period to meet end-state MREL by two years to January 2022. Firms have been subject to a transitional interim requirement since 1 January 2019. The UK MREL framework also implements the standards set by the Financial Stability Board (the "FSB") on total loss absorbing capacity ("TLAC") requirements for G-SIBs. In December 2020, the Bank of England published a discussion paper regarding a review of this Statement of Policy and announced that it will be reviewing the UK MREL framework in 2021. Subsequently, in July 2021, the Bank of England published its consultation paper in respect of its review of its approach to setting MREL requirements. It is possible that any changes to the Bank of England's policy regarding MREL following the review could impact the Group's or the Issuer's capital requirements.

The requirements described above may be breached where sufficient levels of own funds and eligible liabilities are not held to meet capital buffer requirements, leverage buffer requirements and MREL (including the additional buffer requirements). Failure to meet the combined buffer requirement may result in a maximum amount of discretionary payments which can be made (including payments on Additional Tier 1 Capital Instruments such as the Securities). A breach of any of the requirements above could result in the need to prepare a capital restoration plan, which may provide for or result in restrictions on distributions on Additional Tier 1 Capital Instruments such as the Securities.

In addition, the PRA has the power under section 55M and 192C of the Financial Services and Markets Act 2000 (implementing Article 104 of the CRD IV Directive) to impose requirements on the Issuer to maintain specified levels of capital on a consolidated basis. These requirements could make it impossible for the Issuer to make interest payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements or buffer requirements. Additionally, there is a new specific regime for holding companies that substantively control their group to be subject to supervisory approval and consolidated supervision. Approval must be sought from the PRA by 28 June 2021 and, if approved, holding companies such as the Issuer will be subject to direct supervision to ensure compliance with consolidated or sub-consolidated prudential requirements and the PRA will have additional powers to enforce compliance.

The interaction of restrictions on distributions with, and the impact of, the capital requirements and buffers and leverage framework applicable, as well as the current implementation of MREL/TLAC requirements, remain uncertain in many respects. Such uncertainty is expected to continue while the relevant authorities in the EU and the UK consult on and finalise their proposals and provide guidance on the application of the rules following the Effective EU Exit Time. Changes to these rules could also result in more own funds and eligible liabilities being required to be issued by a financial institution in order to prevent maximum distributable amount restrictions from applying. As a result of such uncertainty, investors may not be able to anticipate whether the Issuer's ability to make interest payments in respect of Additional Tier 1 Capital Instruments such as the Securities may be reduced.

4.9 The interest rate on the Securities will reset on each Reset Date, which may affect the market value of the Securities

From and including the Issue Date, the Securities will initially earn interest at a fixed rate of 6.000 per cent. per annum to, but excluding, the First Reset Date. However, from the First Reset Date and each Reset Date thereafter, the interest rate will be reset to the sum of the applicable 5-year Gilt Rate and the Margin as calculated by the Agent Bank on the relevant Reset Determination Date) (each such interest rate, being a "Reset Interest Rate"). The Reset Interest Rate for any Reset Period could be less than the

Initial Rate of Interest or the Reset Interest Rate for prior Reset Periods and could affect the market value of an investment in the Reset Securities.

4.10 The obligations of the Issuer are unsecured and subordinated and the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares

The obligations under the Securities will constitute unsecured and subordinated obligations of the Issuer and will rank junior in priority of payment to the current and future claims of all senior and certain of its subordinated creditors.

If, a Winding-Up occurs prior to the date on which a Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Securityholder of such Security if, on the day preceding the commencement of such Winding-Up and thereafter, such Securityholder were the holder of one of a class of Notional Preference Shares: (A) having an equal right to a return of assets in such Winding-Up to, and so ranking pari passu with, Parity Obligations and any class or classes of issued preference shares which with preferential rights to returns on such Winding-Up; (B) ranking in priority to all other classes of issued shares for the time being in the capital of the Issuer; and (C) ranking junior to the claims of Senior Creditors and to any notional class or classes of preference shares in the capital of the Issuer by reference to which the Senior Creditors in a Winding-Up are to be determined.

If a Winding-Up occurs at any time on or following the date on which a Trigger Event occurs but the Ordinary Shares to be issued and delivered to the Settlement Shares Depository on the Conversion Date have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Securityholder in a Winding-Up if the Conversion Date had occurred immediately before the occurrence of a Winding-Up.

Subject to complying with applicable regulatory requirements, the Issuer expects from time to time to incur additional indebtedness or other obligations that will constitute senior and subordinated indebtedness, and the Securities do not contain any provisions restricting the ability of the Issuer or its subsidiaries to incur senior or subordinated indebtedness. Although the Securities may pay a higher rate of interest than comparable securities which are not so subordinated, there is a significant risk that an investor in the Securities will lose all or some of its investment should the Issuer become insolvent since its assets would be available to pay such amounts only after all of its senior and more senior subordinated creditors have been paid in full.

Therefore, if a Winding-Up were to occur, the Issuer's liquidator or administrator would first apply assets of the Issuer to satisfy all rights and claims of Senior Creditors. If the Issuer does not have sufficient assets to settle claims of such Senior Creditors in full, the claims of the Securityholders will not be settled and, as a result, Securityholders will lose the entire amount of their investment in the Securities. The Securities will share equally in payment with claims under Parity Obligations (or with claims in respect of Ordinary Shares, in the event of a winding-up or administration occurring in the intervening period between the Trigger Event and the Conversion Date) if the Issuer does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Securityholders would lose all or part of their investment.

In addition, investors should be aware that, upon Conversion of the Securities following a Trigger Event, Securityholders will be, effectively, further subordinated as they will be treated as, and subsequently become, holders of Ordinary Shares, even if other existing subordinated indebtedness and preference shares remain outstanding. There is a risk that Securityholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been

the claims of Securityholders or of securities subordinated to the same or greater extent as the Securities, in winding-up proceedings or otherwise.

4.11 The Securities will be subject to Conversion following the occurrence of the Trigger Event, in which case the Securityholders could lose all or part of the value of their investment in the Securities

Upon Conversion following the Trigger Event, the Securities will be converted into Ordinary Shares on the Conversion Date. Once the Ordinary Shares have been issued and delivered to the Settlement Shares Depository, all of the Issuer's obligations under the Securities shall be irrevocably discharged and satisfied and under no circumstances shall such released obligations be reinstated. As a result, Securityholders could lose all or part of the value of their investment in the Securities, as, following Conversion, they will receive only (i) the Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made), or (ii) the Alternative Consideration, which shall be composed of Ordinary Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects that a Conversion Shares Offer be made). Any Ordinary Shares received upon Conversion may have a market value significantly below the principal amount of the Securities held by a Securityholder. The Conversion Price at the time the Ordinary Shares are issued may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price. Furthermore, upon Conversion, Securityholders will no longer have a debt claim in relation to principal and any accrued but unpaid interest on the Securities shall be cancelled and shall not become due and payable at any time.

Any such Conversion will be irrevocable and, upon Conversion, Securityholders will not be entitled to any form of compensation in the event of the Issuer's potential recovery or change in the Group's fully loaded Common Equity Tier 1 Capital Ratio. In addition, on or after the occurrence of the Trigger Event, if the Issuer does not deliver Ordinary Shares to the Settlement Shares Depository, the only claims Securityholders will have against the Issuer will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Ordinary Shares to the Settlement Shares Depository and to participate in the liquidation proceeds of the Issuer as if the Ordinary Shares had been issued. Once the Ordinary Shares to be delivered on Conversion have been issued and delivered to the Settlement Shares Depository, the only claims Securityholders will have will be against the Settlement Shares Depository for delivery of Ordinary Shares or Alternative Consideration, as applicable.

The Trigger Event shall occur if at any time the Group's Common Equity Tier 1 Capital Ratio (which will be calculated on a consolidated and fully loaded basis) is less than 7.00 per cent. on such date. As at 30 June 2021, the Group's Common Equity Tier 1 Capital Ratio was 18.7 per cent.

For a discussion of the risks associated with the calculation of the Group's Common Equity Tier 1 Capital Ratio see "*Risk Factor 4.12 – The circumstances surrounding or triggering a Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its business in such a way, or take any mitigating actions, to maintain or restore the Group's Common Equity Tier 1 Capital Ratio to avoid the occurrence of the Trigger Event. Any future losses at the Group level and action the Group takes could result in the Group's Common Equity Tier 1 Capital Ratio falling and the Trigger Event occurring*" and "*Risk Factor 4.13 - Changes to the calculation of Common Equity Tier 1 and/or Risk Weighted Assets may negatively affect the Group's Common Equity Tier 1 Capital Ratio, thereby increasing the risk of the Trigger Event which will lead to Conversion, as a result of which the Securities will automatically be converted into Ordinary Shares*".

4.12 The circumstances surrounding or triggering a Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its business in such a way, or take any mitigating actions, to maintain or restore the Group's

Common Equity Tier 1 Capital Ratio to avoid the occurrence of the Trigger Event. Any future losses at the Group level and actions the Group takes could result in the Group's Common Equity Tier 1 Capital Ratio falling and the Trigger Event occurring

The occurrence of the Trigger Event and, therefore, Conversion, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's Common Equity Tier 1 Capital Ratio periodically, the PRA or the such other Supervisory Authority may instruct the Issuer to calculate such ratio as at any date, including if the Issuer is subject to recovery and resolution actions by the Resolution Authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion. As such, Conversion could occur at any time. Moreover, it is likely that the Resolution Authority would allow the Trigger Event to occur rather than to resort to the use of public funds.

The Group's Common Equity Tier 1 Capital Ratio could be affected by, among other things, changes in, or the growth of, the Issuer's business and the level of the Issuer's future earnings or any losses incurred, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including Common Equity Tier 1 and Risk Weighted Assets (each of which shall be calculated by the Issuer and such calculation shall be binding on the Trustee and on the Securityholders)), actions that the Issuer is required to take at the direction of the Supervisory Authority, costs associated with regulatory changes, including in respect of any regulatory non-compliance, and the Group's ability to manage Risk Weighted Assets in both its ongoing businesses. In addition, the Group has capital resources and Risk Weighted Assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the pounds sterling equivalent value of foreign currency denominated capital resources and Risk Weighted Assets. Actions that the Group takes could also affect the Group's Common Equity Tier 1 Capital Ratio, including causing it to decline. The Issuer has no obligation to increase its Common Equity Tier 1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way or take mitigating actions in order to prevent the Group's Common Equity Tier 1 Capital Ratio from falling below 7.00 per cent., to maintain or increase the Group's Common Equity Tier 1 Capital Ratio or to otherwise consider the interests of the Securityholders in connection with any of its business decisions that might affect the Group's Common Equity Tier 1 Capital Ratio.

The calculation of the Group's Common Equity Tier 1 Capital Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Supervisory Authority could require the Issuer to reflect such changes in any particular calculation of the Group's Common Equity Tier 1 Capital Ratio.

Because of the inherent uncertainty regarding whether the Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, Conversion could occur. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Fluctuations in the Group's Common Equity Tier 1 Capital Ratio may be caused by changes in the amount of Common Equity Tier 1 and Risk Weighted Assets as well as changes to their respective definitions under the capital adequacy standards and guidelines set by the Supervisory Authority. Any indication that the Group's Common Equity Tier 1 Capital Ratio is moving towards the level which would cause the occurrence of the Trigger Event may have an adverse effect on the market price and liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's subordinated debt securities. In addition, the risk of Conversion could drive down

the price of the Ordinary Shares and have a material adverse effect on the market value of any Ordinary Shares received upon Conversion.

4.13 Changes to the calculation of Common Equity Tier 1 and/or Risk Weighted Assets may negatively affect the Group’s Common Equity Tier 1 Ratio, thereby increasing the risk of the Trigger Event which will lead to Conversion, as a result of which the Securities will automatically be converted into Ordinary Shares

As a result of CRD IV (as to which please see “*Risk factor 4.8 - CRD IV places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders*” above), the Issuer is required to calculate the Group’s capital resources for regulatory purposes on the basis of Common Equity Tier 1 and its Risk Weighted Assets, which represent assets adjusted for their associated risks. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

As at 30 June 2021, the Group’s Common Equity Tier 1 Capital Ratio was 18.7 per cent. on a fully loaded basis. The Group’s fully loaded Common Equity Tier 1 Capital Ratio is a non-EU IFRS measure, and the Issuer’s interpretation of CRD IV and the basis of the Issuer’s calculation of this financial measure may be different from those of other financial institutions.

The continuing impact of CRD IV on capital ratios may be materially different as the CRD IV requirements may change, whether as a result of changes to the domesticated versions of the following pieces of EU legislation, among others: (a) CRD V; (b) CRR II, which amends the CRR; and (c) Directive (EU) 2019/879, which amends the Bank Recovery and Resolution Directive (Directive 2014/59/EU) (collectively, the “**Risk Reduction Measures Package**”) (as to which please see “*Risk factor 3.3 – The Group is subject to prudential regulatory capital and liquidity requirements*” and “*Risk factor 4.8 - CRD IV places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders*”), or changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted under CRD II and III). Additionally, the UK’s capital requirements regime may be determined by reference to other applicable capital regulations in future. If PRA rules, guidance or expectations in relation to capital or leverage are amended in the future in a manner other than as set out in the statements released by the PRA to date, it could be materially more difficult for the Group to maintain compliance with prudential requirements and this could affect the Group’s Common Equity Tier 1 Capital Ratio.

In addition, in December 2017, the BCBS set out measures to finalise the Basel III framework. In summary, those measure aim to: (i) strengthen risk sensitivity and comparability in credit risk by way of minimum “input” floors for certain metrics; (ii) introduce a standardised approach to assessing credit valuation adjustment risk; (iii) introduce a standardised approach to assessing operational risk; (iv) provide safeguards against unsustainable levels of leverage through adding a leverage ratio buffer for global systemically important banks (such as the Issuer); and (v) ensure that banks calculate their “output” floors as being 72.5 per cent of total Risk Weighted Assets. The implementation date for most of the proposed reforms was 1 January 2022 but this has now been extended to 1 January 2023 in response to the

COVID-19 pandemic; the output floor requirements are intended to be phased in over a five year period following 1 January 2023, ending on 1 January 2028.

Investors should be aware that any changes to the CRD IV rules as currently implemented in the UK subsequent to the date hereof may individually and/or in the aggregate further negatively affect the Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of the Trigger Event, which will lead to Conversion. Upon Conversion, provided that the Issuer issues and delivers the Ordinary Shares to the Settlement Shares Depository in accordance with the terms described herein, investors will have no further rights against the Issuer. In addition, the realisable value of the Ordinary Shares may be below the Conversion Price. At the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

4.14 Securityholders may receive Alternative Consideration instead of Ordinary Shares upon the Trigger Event and would not know the composition of any Alternative Consideration until the end of the Conversion Shares Offer Period

Securityholders may not ultimately receive Ordinary Shares upon the Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Settlement Shares Depository.

If all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, the pro rata share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs and the pro rata share of any stamp duty, stamp duty reserve tax or any other tax that may arise or be paid as a consequence of the transfer of any interest in the Ordinary Shares to the Settlement Shares Depository as a consequence of the Conversion Shares Offer). If some but not all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, (a) the pro rata share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs and the pro rata share of any stamp duty, stamp duty reserve tax or any other tax that may arise or be paid as a consequence of the transfer of any interest in the Ordinary Shares to the Settlement Shares Depository as a consequence of the Conversion Shares Offer) together with (b) the pro rata share of the Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares.

No interest or other compensation is payable in respect of the period from the Conversion Date to the date of delivery of the Ordinary Shares or the cash proceeds from the sale of the Ordinary Shares in the circumstances described above.

Notice of the results of any Conversion Shares Offer will be provided to Securityholders only at the end of the Conversion Shares Offer Period. Accordingly, Securityholders would not know the composition of the Alternative Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

4.15 Following a Trigger Event, the Securities will remain in existence until the applicable Settlement Date (or, if earlier, the Long-Stop Date) for the sole purpose of evidencing the holder's right to receive Ordinary Shares or Alternative Consideration, as applicable, from the Settlement Shares Depository and the rights of the Securityholders will be limited accordingly

Following Conversion, the Securities will remain in existence until the applicable Settlement Date (or, if earlier, the Long-Stop Date) for the sole purpose of evidencing the holder's right to receive Ordinary Shares or Alternative Consideration, as applicable. All obligations of the Issuer under the Securities shall be irrevocably released in consideration of the Issuer's issuance and delivery of the Ordinary Shares to the Settlement Shares Depository on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Securities shall be cancelled on the applicable Settlement Date (or, if earlier, the Long-Stop Date).

Although the Issuer currently expects that beneficial interests in the Securities will be transferrable between the Conversion Date and the Settlement Date, there is no guarantee that this will be the case. Accordingly, the price received for the sale of any beneficial interest under a Security during this period may not reflect the market price of such Security or the Ordinary Shares. Furthermore, transfers of beneficial interests in the Securities may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Securities is suspended by the clearing system at an earlier time than currently expected. In such a situation it may not be possible to transfer beneficial interests in the Securities in such clearing system and trading in the Securities may cease.

In addition, the Issuer has been advised by the clearing systems that it will suspend all clearance and settlement of transactions in the Securities on the Settlement Date. As a result, holders of the Securities will not be able to settle the transfer of any Securities through the following the Settlement Date, and any sale or other transfer of the Securities that a holder of the Securities may have initiated prior to the Settlement Date with respect to the clearing system that is scheduled to match or settle after the Settlement Date will be rejected by Settlement Date and will not be matched or settled through Settlement Date.

Moreover, although the Securityholders will become beneficial owners of the Ordinary Shares upon the issuance of such Ordinary Shares to the Settlement Shares Depository and the Ordinary Shares will be registered in the name of the Settlement Shares Depository (or the relevant recipient in accordance with the terms of the Securities), no Securityholder will be able to sell or otherwise transfer any Ordinary Shares until such time as they are finally delivered to such Securityholder and registered in their name.

4.16 Securityholders will have to submit a Conversion Notice in order to receive delivery of the Ordinary Shares or Alternative Consideration

In order to obtain delivery of the Ordinary Shares or Alternative Consideration, as applicable, following Conversion, a Securityholder must deliver a Conversion Notice (and the relevant Securities, if applicable) to the Settlement Shares Depository. The Conversion Notice must contain certain information, including the holder's CREST account details. Accordingly, Securityholders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Ordinary Shares or the Ordinary Share component, if any, of any Alternative Consideration, as applicable. If a Securityholder fails to properly complete and deliver a Conversion Notice, the Settlement Shares Depository shall continue to hold the relevant Ordinary Shares or the Alternative Consideration, as the case may be, until a Conversion Notice (and the relevant Securities, if applicable) is or are so validly delivered. However, the relevant Securities shall be cancelled on the applicable Long-Stop Date and any Securityholder delivering a Conversion Notice after the Long-Stop Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or Alternative Consideration, as applicable, satisfactory to the Settlement Shares Depository in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or Alternative Consideration. The Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Alternative Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Notice on a timely basis or at all. If any such Ordinary Shares or the relevant

Conversion Consideration (as applicable) have not been claimed for 10 years after the Long-Stop Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Settlement Shares Depository (or an agent on its behalf) to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Alternative Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Alternative Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Holder of the Securities for any loss resulting from such Holder not receiving any Ordinary Shares, the relevant Alternative Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

4.17 Prior to the Conversion Date, Securityholders will not be entitled to any rights with respect to the Ordinary Shares, but will be subject to all changes made with respect to the Ordinary Shares

The exercise of voting rights and other rights related to any Ordinary Shares is only possible after the Conversion Date. Following the Conversion Date and the registration of the person entitled to the Ordinary Shares in the Issuer's share register as a shareholder in accordance with the provisions of and subject to the limitations provided in the articles of association of the Issuer, the Securityholders will be able to exercise all voting and other rights. Following the Conversion Date but prior to such registration, the Ordinary Shares will be held by the Settlement Shares Depository and the Securityholder shall be entitled to direct the Settlement Shares Depository to exercise any rights on the Securityholder's behalf (subject to certain limitations on the sale and transfer of the Ordinary Shares). However, prior to the Conversion Date, Securityholders will be subject to all changes made with respect to the Ordinary Shares.

4.18 Securityholders have limited anti-dilution protection

The number of Ordinary Shares to be issued to the Settlement Shares Depository on the Conversion Date will be determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date. Fractions of Ordinary Shares will not be delivered to the Settlement Shares Depository or to Securityholders upon a Conversion and no cash payment will be made in lieu thereof.

The Conversion Price will be adjusted by the Conversion Calculation Agent in the event that there is a consolidation, reclassification, redesignation or subdivision of the Ordinary Shares, an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, an Extraordinary Dividend or an issue of Ordinary Shares or certain other securities to shareholders as a class by way of rights, but only in the situations and to the extent provided in Condition 9(d). These may include any modifications as an Independent Adviser shall determine to be appropriate, including for certain situations falling between the Conversion Date and the Settlement Date. Any New Conversion Price following a Qualifying Relevant Event will be similarly adjusted by the Conversion Calculation Agent, subject to any modifications by the Independent Adviser. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of other convertible securities. Accordingly, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Securities.

4.19 If a Relevant Event occurs, the Securities may be convertible into shares in an entity other than the Issuer or may be fully written down

If a Qualifying Relevant Event occurs, then following Conversion, the Securities shall become convertible into the share capital of the Acquiror (as more fully described under Condition 9(e)) at the New Conversion Price. There can be no assurance as to the nature of any such Acquiror, or of the risks associated with becoming an actual or potential shareholder in such Acquiror and accordingly a Qualifying Relevant Event may have an adverse effect on the value of the Securities.

In addition, the Issuer and the Acquiror have certain discretion in determining whether a Qualifying Relevant Event has occurred. A Qualifying Relevant Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied: (i) the Acquiror must be an Approved Entity; and (ii) by not later than seven days following the occurrence of the Relevant Event, the Issuer and the Acquiror must have entered into arrangements to the satisfaction of the Issuer for delivery of the Relevant Shares upon a Conversion of the Securities. If the Issuer and the Acquiror are unable to enter into such arrangements, the New Conversion Condition would not be satisfied.

In the case of a Non-Qualifying Relevant Event, the Securities will not be subject to Conversion unless the Trigger Event occurs prior to the occurrence of the Relevant Event. If the Trigger Event occurs following the Non-Qualifying Relevant Event, the outstanding principal amount of each Security will be automatically written down to zero and the Securities will be cancelled in their entirety. Securityholders will be deemed to have irrevocably waived their right to receive repayment of the aggregate principal amount of the Securities so written down and all accrued and unpaid interest and any other amounts payable on the Securities will be cancelled, as more fully described under Condition 9(e)(iv). There can be no assurance that a Relevant Event will not be a Non-Qualifying Relevant Event, in which case investors may lose their investment in the Securities.

4.20 Receipt by the Settlement Shares Depositary of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities

Following the Trigger Event, the relevant Ordinary Shares will be issued and delivered by the Issuer to the Settlement Shares Depositary which, subject to a Conversion Shares Offer, will hold the Ordinary Shares on behalf of the Securityholders. Receipt by the Settlement Shares Depositary of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities and a Securityholder shall, with effect on and from the Conversion Date, only have recourse to the Settlement Shares Depositary for the delivery to it of the relevant Ordinary Shares or, if the Issuer elects that a Conversion Shares Offer be made as described in Condition 9(c)(v), of any Alternative Consideration to which such Securityholder is entitled as described herein. The Issuer shall not have any liability for the performance of the obligations of the Settlement Shares Depositary.

In addition, the Issuer has not yet appointed a Settlement Shares Depositary and the Issuer may not be able to appoint a Settlement Shares Depositary if Conversion occurs. In such a scenario, the Issuer would inform Securityholders or the Trustee or otherwise, as practicable, of any alternative arrangements in connection with the issuance and/or delivery of the Ordinary Shares or Alternative Consideration, as applicable, and such arrangements may be disadvantageous to, and more restrictive on, the Securityholders. For example, such arrangements may involve Securityholders having to wait longer to receive their Ordinary Shares or Alternative Consideration than would be the case under the arrangements expected to be entered into with a Settlement Shares Depositary. Under these circumstances, the Issuer's issuance of the Ordinary Shares to the relevant recipient in accordance with these alternative arrangements shall constitute a complete and irrevocable release of all of the Issuer's obligations in respect of the Securities.

4.21 As a result of Securityholders receiving Ordinary Shares upon the occurrence of the Trigger Event, they are particularly exposed to changes in the market price of the Ordinary Shares

Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Prospective investors in the Securities may look to sell Ordinary Shares in anticipation of taking a position in, or during the term of, the Securities. This could drive down the price of the Ordinary Shares. Since the Securities will mandatorily convert into Ordinary Shares upon the Trigger Event, the price of the Ordinary Shares may be more volatile if the Issuer is trending toward the Trigger Event. Any movement in the price of the Ordinary Shares could also impact the price of the Securities.

5. RISKS RELATING TO THE SECURITIES GENERALLY

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

The paragraphs below set out some of the possible consequences of the SRR (as defined below) and the exercise of those powers under the SRR. The taking of any action under the Banking Act could adversely affect Holders.

The SRR may be triggered prior to insolvency of the Issuer

Under the Banking Act, substantial powers were granted to HM Treasury, the Bank of England, the PRA and the FCA (together the “**Authorities**”) as part of the special resolution regime (the “**SRR**”), including five pre-insolvency stabilisation options. These stabilisation options may, in summary, be exercised in respect of the Issuer if the PRA is satisfied that the Issuer or a bank in the Group is failing, or is likely to fail, (including, in relation to a bank, where that bank is failing or likely to fail to meet the threshold conditions specified in FSMA) and, following consultation with the other Authorities, the Bank of England determines that: (i) it is not reasonably likely that (ignoring the stabilisation options) action will be taken that will result in the Issuer or relevant bank no longer failing or being likely to fail; (ii) the exercise of the stabilisation options is necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors) and (iii) the specific resolution objectives would not be met to the same extent by the winding up of the Issuer or relevant bank. It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the Issuer could be initiated.

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

Various actions may be taken in relation to the Securities without the consent of the Holders

If the Issuer were made subject to the exercise of any stabilisation options, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and

property transfer powers (including powers for partial transfers of property, rights and liabilities) subject to certain protections in respect of the Issuer. Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (including the Securities) without the consent of the Holders, including (among other things):

- transferring the Securities out of the hands of the Holders;
- delisting the Securities;
- writing down (which may be to nil) the Securities or converting the Securities into another form or class of securities such as ordinary shares; and/or
- modifying or disapplying certain terms of the Securities.

The stabilisation options available under the SRR include the exercise of the bail-in tool, which involves allocating an entity's losses to its shareholders and unsecured creditors (which include Holders) in a manner that (i) respects the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard). While the bail-in tool provides for the payment of compensation in some circumstances (consistent with the "no creditor worse off" safeguard) and in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly.

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

Mandatory write-down and conversion of capital instruments may affect the Tier 2 Capital Instruments

The Banking Act grants the power to the relevant Authorities to permanently write-down, or convert into equity, Tier 1 Capital instruments (such as the Securities), Tier 2 Capital Instruments and relevant internal liabilities at the point of non-viability of the relevant entity or group. Holders may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment.

If the Issuer were to become subject to bail-in or resolution powers or subject to the mandatory write-down and conversion power under the Banking Act, existing shareholders may experience a dilution or

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

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

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

If the Issuer were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (which may include the Securities) may result in a deterioration in the creditworthiness of the Issuer and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Securities and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred. As of the date of this Offering Memorandum, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Holders will not be adversely affected by any such order or instrument if made.

5.2 The credit rating assigned by any credit rating agency to the Securities may not reflect all the risks associated with an investment in the Securities

The Securities are expected to be rated B+ by Fitch. The assigned ratings to the Securities may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any such revision, suspension or withdrawal could adversely affect the market value of the Securities.

In general, investors in the EEA are restricted under Regulation (EC) No 1060/2009 on credit rating agencies (“**EU CRA Regulation**”) from using a credit rating for regulatory purposes, unless such rating is issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of a credit rating issued by non-EEA credit rating agencies, unless the relevant credit rating is endorsed by an EEA-registered credit rating

agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agency and rating is set out on the cover of this Offering Memorandum.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation.

If the status of the rating agency rating the Securities changes for the purpose of the EU CRA Regulation or the UK CRA Regulation, as applicable, EEA or UK regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Securities may have a different regulatory treatment. This may result in the relevant investors selling the Securities which may impact the value of the Securities and any secondary market.

5.3 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 Securities. The Conditions are based on English law in effect as of the date of issue of the relevant Securities. 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 Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Securities, which may have an adverse effect on an investment in the Securities. In addition, any change in law or regulation that triggers a Tax Event or a Capital Disqualification Event would, in the case of certain Securities, entitle the Issuer, at its option (subject to, amongst other things, obtaining prior Regulatory Approval), to redeem the Securities, in whole but not in part, as provided under Condition 8(c) or 8(d), as the case may be.

5.4 The Securities are not ‘protected liabilities’ for the purposes of any Government compensation scheme

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

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

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

The Securities will upon issue be represented by a Global Certificate which may be deposited with a common depository for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream,

Luxembourg, a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Securities. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented a Global Certificate, investors will be able to trade their beneficial interests only through the relevant Clearing System. While the Securities are represented by a Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to or to the order of the relevant Clearing System in which it holds such interest to receive payments under the relevant Securities. A Holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Securities. 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.

5.6 Modification and waivers and substitution

The Trust Deed contains provisions for calling meetings of Securityholders to consider matters affecting interests generally. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. For further information, see Condition 15 and 16.

The Conditions also provide that the Trustee may, subject to certain exceptions and conditions, agree to any modification of, or waiver or authorisation of any breach or proposed breach of, any provisions of the Securities or to the substitution of another company as principal debtor under the Securities in place of the Issuer in the circumstances described in Conditions 15(e) and 16.

The tax and stamp duty consequences of holding Securities following a substitution could be different for some categories of Securityholders from the tax and stamp duty consequences for them of holding the Securities prior to such substitution.

5.7 Legal investment consideration may restrict certain investments

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

5.8 A Holder’s actual yield on the Securities may be reduced from the stated yield by transaction costs

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

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

6. RISKS RELATING TO THE MARKET GENERALLY

6.1 There can be no assurance about the development or performance of a secondary trading market for the Securities

The Securities represent new securities for which no secondary trading market exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

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

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

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

Moreover, whilst the Issuer and any subsidiary of the Issuer can (subject to Regulatory Approval and compliance with prevailing Regulatory Capital Requirements) purchase Securities, they have no obligation to do so. Purchases made by the Issuer (or on behalf of the Issuer) could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

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

Although application has been made to admit the Securities to trading on the ISM, there can be no assurance that such application will be accepted, that the Securities will be so admitted, or that an active trading market will develop.

6.2 There are exchange rate risks and exchange control risks associated with the Securities

The Issuer will pay principal and interest on the Securities in pounds sterling (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 Securities; (b) the Investor’s Currency equivalent value of the principal payable on the Securities; and (c) the Investor’s Currency equivalent market value of the Securities.

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

6.3 A Securityholder may be subject to taxes following Conversion

Neither the Issuer, nor any member of the Group, will pay any taxes or capital, stamp, issue and registration or transfer taxes or duties arising upon Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares to the Settlement Shares Depository. A Securityholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising upon Conversion (other than on the transfer and delivery of any Ordinary Shares to a purchaser in any Conversion Shares Offer which in each case shall be payable by the relevant purchaser of the Ordinary Shares) and such Securityholder must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of such Securityholder’s Security or interest therein.

6.4 Limitation on gross-up obligation under the Securities

The Issuer’s obligation to pay additional amounts in respect of any withholding or deduction in respect of UK taxes under the terms of the Securities applies only to payments of interest in respect of the Securities and not to payments of principal. Accordingly, the Issuer would not be required to pay any additional amounts under the terms of the Securities to the extent any such withholding or deduction applied to payments of principal. In such circumstances, Securityholders may receive less than the full amount of principal due in respect of the Securities, and the market value of the Securities may be adversely affected.

TERMS AND CONDITIONS OF THE SECURITIES

The following (excluding italicised paragraphs) is the text of the terms and conditions that, subject to completion and amendment, shall be applicable to the Securities in definitive form (if any) issued in exchange for the Global Security.

The £150,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”, which expression shall in these Conditions, unless the context otherwise requires, include any Further Securities issued pursuant to Condition 18 which are consolidated and form a single series with the Securities) of OSB GROUP PLC (the “**Issuer**”) are constituted by a trust deed dated 7 October 2021 (as amended and/or restated and/or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons from time to time being trustee or trustees appointed under the Trust Deed) as trustee for the Securityholders.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed, the agency agreement dated 7 October 2021 and made between the Issuer, the Registrar and other Agents and the Trustee (as amended and/or restated and/or supplemented from time to time, the “**Agency Agreement**”) and the conversion calculation agency agreement dated 7 October 2021 and made between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent (the “**Conversion Calculation Agent**”) (as amended and/or restated and/or supplemented from time to time, the “**Conversion Calculation Agency Agreement**”) are available for inspection during normal business hours by prior arrangement by the Securityholders at the registered office for the time being of the Trustee, being at the date of issue of the Securities at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement and Conversion Calculation Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

The Securities are issued in registered form in specified denominations of £200,000 and integral multiples of £1,000 in excess thereof.

The Securities are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Securities by the same Holder.

Title to the Securities shall pass by registration in the register of the Securityholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the Holder.

2. TRANSFER OF SECURITIES

(a) *Transfer of Securities*

One or more Securities may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer

substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Securities the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate in respect of the balance of the Securities not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder of Securities, a new Certificate representing the enlarged holding shall be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Securities 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 made available by the Registrar to any Securityholder upon request.

(b) *Delivery of New Certificates*

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

(c) *Transfers Free of Charge*

Transfers of Securities and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) *Closed Periods*

No Securityholder may require the transfer of a Security to be registered (i) during the period of 15 days ending on the due date for redemption of the Securities pursuant to Condition 8, (ii) at any time after the second Business Day following the giving of a Trigger Event Notice by the Issuer or (iii) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu*, without any preference among themselves. No security or guarantee of whatever kind has been, or will at any time be, provided by the Issuer or any other person to the Securityholders in respect of their rights under the Securities.

4. SUBORDINATION

(a) *Solvency Condition*

Except in a Winding-Up of the Issuer or (in relation to the cash component of any Alternative Consideration) where Condition 9(c)(vii) applies, all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Issuer to cancel payments under Condition 6(a) and Condition 9(a)(ii), conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

In these Conditions, the Issuer shall be considered to be solvent at a particular time if (x) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (y) the Issuer’s Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer signed by two Authorised Signatories shall, in the absence of manifest error, be treated and accepted by the Trustee and the Securityholders as correct and sufficient evidence thereof.

Any payment of interest not due by reason of this Condition 4(a) shall be cancelled as provided in Condition 6(a).

As used in these Conditions:

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in its latest published audited balance sheet, but adjusted for contingencies and subsequent events in such manner as the Directors of the Issuer or the auditors of the Issuer may determine.

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer, as shown in its latest published audited balance sheet, but adjusted for contingent and prospective liabilities and for subsequent events in such manner as the Directors of the Issuer or the auditors of the Issuer may determine.

(b) *No set-off*

Subject to applicable law, no Securityholder 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, the Securities and each Securityholder will, by virtue of their holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder 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.

As stated in further detail in Condition 17(e), the provisions of this Condition 4 apply only to the principal and interest and any other amounts (including any damages awarded for breach of any obligation under the Securities) payable in respect of the Securities and nothing in this Condition 4 or in Condition 5, 6 or 12 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.

5. WINDING-UP

(a) *Winding-Up prior to a Trigger Event*

If a Winding-Up occurs prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in this Condition 5(a)), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”):

- (i) ranking pari passu as to a return of assets on a Winding-Up with Parity Obligations and any class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which has or have a preferential right to a return of assets in a Winding-Up;
- (ii) ranking ahead of, all other classes of issued shares for the time being in the capital of the Issuer (including, for the avoidance of doubt, any Ordinary Shares); and
- (iii) ranking junior to the claims of Senior Creditors and to any notional class or classes of preference shares in the capital of the Issuer by reference to which the claims of any Senior Creditors in a Winding-Up are to be determined,

and on the assumption that the amount that such Securityholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any other amount payable to such Securityholder in respect of the Securities (including damages awarded for breach of any obligation under the Securities).

(b) *Winding-Up on or after the occurrence of a Trigger Event*

If a Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment or any issue or delivery of Ordinary Shares by the Issuer), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of such number of Ordinary Shares as that Securityholder would have been entitled to receive upon Conversion in accordance with Condition 9.

6. **INTEREST**

(a) *Cancellation of interest*

Discretionary cancellation of interest

In addition to and subject to the mandatory non-payment of interest pursuant to Condition 4(a), the following provisions of this Condition 6(a) and Condition 9(a)(ii), the Issuer may elect at its full discretion, subject to Conditions 4(a), 6(a), and 9(a)(ii), to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on an Interest Payment Date.

Mandatory cancellation of interest

In addition to and subject to the mandatory non-payment of interest pursuant to Condition 4(a) and Condition 9(a)(ii), the Issuer will cancel any Interest Amount (or, as appropriate, part thereof) otherwise scheduled to be paid on an Interest Payment Date to the extent that:

- (i) such Interest Amount together with any Additional Amounts payable, if applicable, with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on

the Securities and all other “own funds” items (as defined in the Capital Requirements Regulation) of the Issuer (excluding any such interest payments or distributions paid or made on Tier 2 Capital instruments or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date;

- (ii) the aggregate of the Interest Amount together with any Additional Amounts payable, if applicable, with respect thereto, and the amounts of any distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA) and/or referred to in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Group is failing to meet any relevant requirement or any buffers relating to such requirements (in each case to the extent then applicable to the Group) exceeds the Maximum Distributable Amount (if any) applicable to the Group as at such Interest Payment Date; and/or
- (iii) the Supervisory Authority orders the Issuer to cancel (in whole or in part) any interest otherwise payable on such Interest Payment Date.

As used herein, “**Distributable Items**” has the meaning given to it in the Regulatory Capital Requirements then applicable to the Issuer, but, to the extent applicable, amended so that any reference therein to “before distributions to holders of own funds instruments” shall be read as a reference to “before distributions by the Issuer to holders of Parity Obligations, the Securities or any Junior Obligations”.

Non-payment of interest sufficient evidence of cancellation

If the Issuer does not pay an Interest Amount or part thereof on the relevant Interest Payment Date, such non-payment shall evidence either the non-payment and cancellation of such Interest Amount (or relevant part thereof) by reason of it not being due in accordance with Condition 4(a), the cancellation of such Interest Amount (or relevant part thereof) in accordance with this Condition 6(a) or Condition 9(a)(ii) or, as appropriate, the Issuer’s exercise of its discretion to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 6(a), and accordingly such interest shall not in any such case be due and payable.

Notice of cancellation of interest

Notice of any cancellation of payment of a scheduled Interest Amount shall be given to Securityholders (in accordance with Condition 14), the Trustee and the Agents as soon as possible prior to the relevant Interest Payment Date, provided that any failure to give such notice shall not affect the cancellation of any Interest Amount in whole or in part by the Issuer and shall not constitute a default for any purpose.

Interest non-cumulative

The cancellation of any Interest Amount (or any part thereof) in accordance with Condition 4(a), this Condition 6(a) or Condition 9(a)(ii) shall not constitute a default for any purpose on the part of the Issuer. For the avoidance of doubt, interest payments under the Securities are non-cumulative and the Securityholders shall have no right to any cancelled Interest Amount, whether under the Securities or the Trust Deed, on a Winding-Up or otherwise.

(b) *Interest Rate and Interest Payment Dates*

The Securities bear interest on their outstanding principal amount:

- (i) from and including the Issue Date to but excluding 7 April 2027 (the “**First Reset Date**”), at the rate of 6.000 per cent. per annum (the “**Initial Interest Rate**”); and
- (ii) thereafter, at the relevant Reset Interest Rate,

in each case, payable, subject to Conditions 4(a), 6(a) and 9(a)(ii), in equal instalments semi-annually in arrear on 7 April and 7 October of each year, commencing on 7 April 2022 (each an “**Interest Payment Date**”). The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”.

(c) *Calculation of interest*

Subject as provided in the final paragraph of this Condition 6(c), the relevant day-count fraction (the “**Day-Count Fraction**”) shall be calculated on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (ii) two times the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

Interest in respect of any Security shall be calculated per Calculation Amount. The amount of interest payable (subject to Conditions 4(a), 6(a) and 9(a)(ii)) in respect of a Security for a relevant period shall be calculated by (i) determining the product of the Calculation Amount, the relevant Interest Rate and the Day-Count Fraction for the relevant period, (ii) rounding the resultant figure to the nearest penny (half a penny being rounded upwards) and (iii) multiplying that rounded figure by a fraction the numerator of which is the principal amount of such Security and the denominator of which is the Calculation Amount.

Subject to Conditions 4(a), 6(a) and 9(a)(ii), the Interest Amount payable for each Interest Period commencing prior to the First Reset Date will (if paid in full) amount to £30 per Calculation Amount.

(d) *Reset Interest Rate*

The “**Reset Interest Rate**” in respect of any Reset Period will be the sum of the 5-year Gilt Rate in relation to that Reset Period and the Margin, all as determined by the Agent Bank as soon as practicable after 12.00 p.m. (London time) on the Reset Determination Date (rounded to four decimal places with 0.00005 rounded down).

In these Conditions (except where otherwise defined), the expression:

“**5-year Gilt Rate**” means, in relation to a Reset Period, the Reset Reference Bank Rate on the Reset Determination Date;

“**5-year Gilt Rate Quotations**” means the arithmetic mean (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields for the relevant Reference Bond;

“**Business Day**” means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Margin**” means 5.393% per cent. per annum;

“Reference Bond” means the United Kingdom government bond selected by the Issuer on the advice of an investment bank of international repute that would be utilised at the time of selection and in accordance with customary financial practice in pricing new issues of corporate debt securities denominated in sterling and with a five year tenor;

“Reset Determination Date” means, in relation to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

“Reset Reference Bank Rate” means, in respect of a Reset Period, the percentage rate determined on the basis of the 5-year Gilt Rate Quotations provided by the Reset Reference Banks to the Agent Bank at approximately 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period. If at least four quotations are provided, the Reset Reference Bank Rate will be determined by reference to 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 Reset Reference Bank Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be 0.607 per cent.;

“Reset Reference Banks” means five brokers of gilts and/or gilt-edged market makers selected by the Issuer.

(e) *Publication of Reset Interest Rate*

The Issuer shall cause the Agent Bank to give notice of the relevant Reset Interest Rate to the Issuer, the Agents, the Trustee and to any stock exchange or other relevant authority on which the Securities are at the relevant time listed (by no later than the relevant Reset Determination Date) and to be notified to Securityholders in accordance with Condition 14 as soon as possible after its determination, but in no event later than the fourth Business Day thereafter. The Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Reset Reference Banks (or any of them) or the Agent Bank, will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Agent Bank and all Securityholders and (in the absence of wilful default) no liability to the Issuer, the Trustee or the Securityholders shall attach to the Reset Reference Banks (or any of them) or the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(g) *Agent Bank*

The Issuer shall procure that, from the First Reset Date and for so long as any of the Securities remains outstanding, there is an Agent Bank for the purposes of the Securities and the Issuer may, subject to the prior written approval of the Trustee, terminate the appointment of the Agent Bank and replace it with another Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Reset Interest Rate for any Reset Period, the Issuer shall, subject to the prior written approval of the Trustee, appoint another Agent Bank. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

(h) *Interest accrual*

Without prejudice to Conditions 4(a), 6 and 9, each Security will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue as provided in the Trust Deed.

7. PAYMENTS

(a) *Payments in respect of Securities*

Payments of principal and interest in respect of each Security will be by transfer to the registered account of the Securityholder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender (in the case of payments of principal) or presentation (in respect of payments of interest) of the relevant Certificate at the specified office of any Agent other than the Agent Bank. Interest on Securities due on an Interest Payment Date will be paid to the holder shown on the register of Securityholders at the close of business on the date (the “**Record Date**”) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 7(a), a Securityholder’s “**registered account**” means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the register of Securityholders at the close of business, in the case of principal, on the second Business Day before the due date for payment and, in the case of interest, on the relevant Record Date, and a Securityholder’s registered address means its address appearing on the register of Securityholders at that time.

Payments of any cash component of any Alternative Consideration shall be made in accordance with the provisions of Condition 9.

(b) *Payments subject to applicable laws*

Payments in respect of principal and interest on the Securities shall be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto and the Issuer will not be liable to Holders for any taxes or duties of whatever nature imposed or levied by such laws, agreements or regulations.

(c) *No commissions*

No commissions or expenses shall be charged to the Securityholders in respect of any payments made in accordance with this Condition 7 or Condition 9.

(d) *Payment on Business Days*

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated by or on behalf of the Issuer.

Securityholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Securityholder is late in surrendering or presenting its Certificate (if required to do so).

(e) *Agents*

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (i) there will at all times be a Principal Paying Agent and a Conversion Agent;
- (ii) there will at all times be a Paying Agent having a specified office in a European city;
- (iii) there will at all times be a Transfer Agent; and
- (iv) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 14.

8. REDEMPTION AND PURCHASE

(a) *No fixed redemption date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the following provisions of this Condition 8.

(b) *Redemption at the option of the Issuer*

The Issuer may, in its sole discretion but subject to Condition 8(f), having given not less than 15 nor more than 30 days' notice to the Securityholders in accordance with Condition 14, the Trustee and the Agents (which notice shall, subject to Condition 8(f), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on:

- (i) any day falling in the period commencing on (and including) 7 October 2026 and ending on the First Reset Date; or
- (ii) on any Reset Date thereafter,

in each case at their principal amount together with any Accrued Interest.

(c) *Redemption for regulatory reasons*

If at any time a Capital Disqualification Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 8(f), having given not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 14, the Trustee and the Agents (which notice shall, subject to Condition 8(f), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at their principal amount together with any Accrued Interest.

A “**Capital Disqualification Event**” shall occur if the Issuer determines that there is a change in the regulatory classification of the Securities which becomes effective on or after the Issue Date that results,

or would be likely to result, in the whole or any part of the principal amount of the Securities being excluded from the Group's Tier 1 Capital under the Regulatory Capital Requirements.

Prior to the publication of any notice of redemption pursuant to this Condition 8(c), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the conditions precedent for redeeming the Securities pursuant to this Condition 8(c) have been met and the Trustee shall accept the certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

(d) *Redemption for tax reasons*

If at any time a Tax Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 8(f), having given not less than 30 nor more than 60 days' notice to Securityholders in accordance with Condition 14, the Trustee and the Agents (which notice shall, subject to Condition 8(f), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at their principal amount together with any Accrued Interest.

A "**Tax Event**" shall occur if the Issuer determines that, as a result of any change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, including any treaty to which such Taxing Jurisdiction is a party, or any change in the application or official interpretation of such laws or regulations by a decision of any court or tribunal that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes effective or in the case of a change in law, if such change is enacted by a United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date (a "**Tax Law Change**"):

- (i) the Issuer has paid, or will or would on the next Interest Payment Date be required to pay, Additional Amounts in respect of the Securities;
- (ii) 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 Securities, or such a deduction is or would be materially reduced or deferred;
- (iii) the Issuer is not or would not be able to treat the Securities as loan relationships for the purposes of Part 5 of the Corporation Tax Act 2009;
- (iv) the Issuer treats or would be required to treat any part of the Securities as an embedded derivative for tax purposes, or the Issuer otherwise is or would be required to take changes in or re-estimates of the value of the Securities or any part of the Securities, or of the present value of the cashflows arising in respect of the Securities or any part of the Securities, into account in computing its taxable profits and losses;
- (v) 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 conversion of the Securities into Ordinary Shares, the write-down of the Securities or both; or
- (vi) the Securities are not or would not be treated as "normal commercial loans" for the purposes of Chapter 6 of Part 5 of the Corporation Tax Act 2010, or the Securities otherwise are or would be required to be taken into account for the purposes of determining any group for tax purposes, such that there is or would be a change in the membership of any group for tax purposes.

Prior to the publication of any notice of redemption pursuant to this Condition 8(d), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the

conditions precedent for redeeming the Securities pursuant to this Condition 8(d) have been met and the Trustee shall accept the certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

(e) *Purchases*

The Issuer or any of its Subsidiaries may, at its option but subject to the Solvency Condition, Regulatory Approval and compliance with the Regulatory Preconditions, purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise in accordance with the then prevailing Regulatory Capital Requirements. All Securities 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.

(f) *Conditions to redemption*

Any redemption under Condition 8(b), 8(c) or 8(d) is subject to obtaining Regulatory Approval and compliance with the Regulatory Preconditions. In addition, if the Issuer has elected to redeem the Securities and:

- (i) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption; or
- (ii) prior to the redemption a Trigger Event occurs,

the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Securityholders (in accordance with Condition 14), the Trustee and the Agents as soon as practicable.

(g) *Cancellation*

All Securities which are redeemed by the Issuer pursuant to this Condition 8 will be cancelled.

(h) *Notices final*

Upon the expiry of any notice as is referred to in Condition 8(b), 8(c) or 8(d), the Issuer shall be bound (subject in all circumstances only to Condition 8(f)) to redeem the Securities to which the notice refers in accordance with the terms of such paragraph.

(i) *Trustee not obliged to monitor*

The Trustee shall not be under any duty to investigate whether any condition precedent to redemption under this Condition 8 has occurred and (i) shall not be responsible to Securityholders for any loss arising from any failure by it to do so and (ii) shall be entitled to assume, unless it has actual knowledge to the contrary, that no such condition precedent to redemption has occurred and that all Regulatory Approvals and/or Regulatory Preconditions have been satisfied. The Trustee shall rely without further investigation and without liability as aforesaid on any notice or certificate delivered to it in connection with this Condition 8.

9. CONVERSION

(a) *Conversion on a Trigger Event*

If a Trigger Event occurs at any time, the Issuer shall immediately notify the Supervisory Authority of the occurrence of the Trigger Event and:

- (i) without delay and by no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of such Trigger Event, the Issuer shall issue, by way of conversion of the Securities (as more fully described in Condition 9(b)), on the Conversion Date to the Settlement Shares Depository to be held for the Securityholders such number of Ordinary Shares as is equal to the aggregate principal amount of the Securities divided by the Conversion Price rounded down to the nearest whole number of Ordinary Shares, and each Security shall, subject to and as provided in this Condition 9, thereby be irrevocably discharged and satisfied; and
- (ii) any accrued and unpaid interest up to (and including) the Conversion Date (whether or not such interest has become due for payment) shall be automatically cancelled.

As used herein:

“**Conversion**” means the conversion of the Securities into Ordinary Shares pursuant to this Condition 9 and “**convert**” and “**converted**” shall be construed accordingly; and

“**Conversion Price**” means, at any time, the conversion price of £3.199 as most recently adjusted (if at all) pursuant to Condition 9(d).

The Issuer shall, as soon as reasonably practicable following a determination that a Trigger Event has occurred, and in any event not more than five Business Days following such determination (provided that later notice shall not constitute a default under the Securities for any purpose or affect the Conversion of the Securities on the Conversion Date), give notice (which notice shall be irrevocable) to the Securityholders in accordance with Condition 14, the Trustee and the Agents (the “**Trigger Event Notice**”) stating: (i) that the Trigger Event has occurred and specifying the Common Equity Tier 1 Capital Ratio as at the relevant date on which the Trigger Event occurred; (ii) the Conversion Date and details of the Settlement Shares Depository; (iii) the prevailing Conversion Price (which Conversion Price shall remain subject to any subsequent adjustment pursuant to Condition 9(d) up to the Conversion Date); (iv) the Long-Stop Date and (v) the procedures that Securityholders will need to follow to receive Ordinary Shares from the Settlement Shares Depository pursuant to Condition 9(c).

Fractions of Ordinary Shares will not be delivered in connection with any Conversion and no cash payment or other adjustment will be made in lieu thereof. However, if one or more Conversion Notices and relevant Certificates are delivered to the Settlement Shares Depository such that any Ordinary Shares (or any Ordinary Share component of any Alternative Consideration, as applicable) to be issued and delivered to a Holder on Conversion are to be registered in the same name, the number of Ordinary Shares to be issued and delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Securities to be converted.

The Issuer will maintain all corporate authorities necessary to issue and allot a sufficient number of Ordinary Shares, free from pre-emption rights and all other encumbrances, pursuant to this Condition 9(a).

The Securities are not convertible into Ordinary Shares at the option of the Securityholders at any time.

(b) *Consequences of a Conversion*

- (i) If the Trigger Event occurs, the Securities will be converted in whole and not in part on the Conversion Date as provided in this Condition 9, at which point all of the Issuer’s obligations

under the Securities shall be irrevocably discharged and satisfied by the Issuer's issuance and delivery of the relevant Ordinary Shares to the Settlement Shares Depository on the Conversion Date.

In the circumstances where these Conditions contemplate the appointment of a Settlement Shares Depository, the Issuer shall use all reasonable endeavours promptly to appoint such Settlement Shares Depository. If, however, the Issuer has been unable to appoint a Settlement Shares Depository, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion (or any Ordinary Share component of the Alternative Consideration, as applicable) to the Securityholders as it shall consider reasonable in the circumstances, which may include issuing and delivering the Ordinary Shares to another independent nominee to be held for the Securityholders or to the Securityholders directly, which issuance and delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities as if the relevant Ordinary Shares had been issued and delivered to the Settlement Shares Depository and, in which case, where the context so admits, references in these Conditions to the issue and delivery of Ordinary Shares to the Settlement Shares Depository shall be construed accordingly and apply *mutatis mutandis*.

- (ii) Provided that the Issuer issues and delivers the relevant Ordinary Shares to the Settlement Shares Depository in accordance with these Conditions, with effect from the Conversion Date no Securityholder will have any rights against the Issuer with respect to the repayment of the principal amount of the Securities or the payment of interest or any other amount on or in respect of such Securities and the principal amount of the Securities shall be reduced to, and at all times thereafter equal, zero until the Securities are cancelled as provided herein. Any interest in respect of an Interest Period ending on (but excluding) an Interest Payment Date falling between the date of a Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of a Trigger Event and shall not be due and payable.
- (iii) Prior to giving the Trigger Event Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Trigger Event has occurred and the Trustee shall accept such certificate without any further enquiry as sufficient evidence of such matters, in which event such certificate will be conclusive and binding on the Trustee and the Securityholders.
- (iv) The Ordinary Shares to be issued and delivered on Conversion shall (except where the Issuer has been unable to appoint a Settlement Shares Depository as contemplated in Condition 9(b)(i)) initially be registered in the name of the Settlement Shares Depository, which shall hold such Ordinary Shares for the Securityholders. By virtue of its holding of any Security, each Securityholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Ordinary Shares to the Settlement Shares Depository.

Provided that the Issuer so issues and delivers the Ordinary Shares to be issued and delivered on Conversion to the Settlement Shares Depository as aforesaid, with effect on and from the Conversion Date, Holders shall have recourse only to the Settlement Shares Depository for the delivery to them of such Ordinary Shares or, subject to and as provided in Condition 9(c)(v), the Alternative Consideration to which they are entitled. Subject to Condition 9(b)(i), if the Issuer fails to issue and deliver the Ordinary Shares to be issued and delivered on Conversion to the Settlement Shares Depository on the Conversion Date, a Holder's only right under the Securities against the Issuer for any such failure will be to claim to have such Ordinary Shares so issued and delivered.

Following the issuance and delivery of the Ordinary Shares to be delivered on Conversion to the Settlement Shares Depository on the Conversion Date as aforesaid, the Securities shall remain in existence until the applicable Settlement Date (or, if earlier, the Long-Stop Date) for the purpose only of evidencing the Securityholders' right as aforesaid to receive such Ordinary Shares or the Alternative Consideration, as the case may be, to be delivered by the Settlement Shares Depository and the Issuer enforcing any rights that it may have against Securityholders under Condition 9(c)(ix) below. With effect on and from the issuance and delivery of the Ordinary Shares to the Settlement Shares Depository as aforesaid the Trustee shall have no further duties or obligations under the Trust Deed to the Securityholders, the Issuer or any other person.

- (v) Subject to and as provided in Condition 9(b)(iv), the Settlement Shares Depository shall hold the Ordinary Shares issued and delivered on Conversion for the Securityholders. Such Securityholders shall, for so long as such Ordinary Shares are held by the Settlement Shares Depository, be entitled to receive any ordinary dividends paid on such Ordinary Shares and shall be entitled to direct the Settlement Shares Depository to exercise on their behalf any rights of an ordinary shareholder (including voting rights) except that such Securityholders shall not be able to sell or otherwise transfer such Ordinary Shares unless and until such time as the relevant Ordinary Shares have been delivered to Securityholders in accordance with Condition 9(h).

(c) *Conversion Settlement*

- (i) Upon Conversion, the Issuer shall redeem the Securities at a price equal to their principal amount and the Securityholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the relevant Ordinary Shares to be issued and delivered to the Settlement Shares Depository on Conversion of their Securities.
- (ii) In order to obtain delivery from the Settlement Shares Depository of Ordinary Shares or, as applicable, the relevant Alternative Consideration following a Conversion, Securityholders will, subject to Conditions 9(c)(iii) and 9(c)(ix), be required to deliver to the Settlement Shares Depository (or an agent designated for the purpose in the Trigger Event Notice) a Conversion Notice and the relevant Certificate representing the relevant Security in accordance with Condition 9(h).

The relevant Ordinary Shares or, as applicable, the relevant Alternative Consideration will be delivered by or on behalf of the Settlement Shares Depository in accordance with the instructions given in the relevant Conversion Notice.

- (iii) If not previously cancelled on the relevant Settlement Date, the relevant Securities shall be cancelled on the Long-Stop Date and any Holder seeking to obtain Ordinary Shares or, as applicable, the relevant Alternative Consideration thereafter shall be required to provide such evidence as to entitlement to such Ordinary Shares or, as applicable, the relevant Alternative Consideration as the Settlement Shares Depository may reasonably require in its sole discretion in order to receive delivery of such Ordinary Shares or, as applicable, the relevant Alternative Consideration. The Issuer shall have no liability to any Holder of the relevant Securities for any loss resulting from such Holder not receiving any Ordinary Shares or, as applicable, the relevant Alternative Consideration, or from any delay in the receipt thereof, in each case as a result of the Holder failing to submit a valid Conversion Notice and to surrender the relevant Certificate prior to the Long-Stop Date or at all. If any such Ordinary Shares or, as applicable, Alternative Consideration have not been claimed for 10 years after the Long-Stop Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Settlement Shares Depository to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Alternative Consideration (as applicable) and any such cash proceeds from

such sale(s) and any such cash component of any Alternative Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides otherwise, in its sole and absolute discretion, and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares, the relevant Alternative Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

- (iv) Any determination as to whether any Conversion Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions shall be made by the Settlement Shares Depositary in its sole discretion and shall be conclusive and binding on the relevant Securityholder(s).
- (v) Not later than the third Business Day prior to the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election by giving notice to the Holders of the Securities in accordance with Condition 14 (a “**Conversion Shares Offer Election Notice**”) that the Settlement Shares Depositary (or an agent on its behalf) will, in the Issuer’s sole and absolute discretion, make an offer to all or (in the Issuer’s sole and absolute discretion) some of the Issuer’s existing Shareholders at such time for such Shareholders to purchase or acquire all or some of the Ordinary Shares to be delivered on Conversion, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price, all in accordance with the following provisions (the “**Conversion Shares Offer**”).
- (vi) A Conversion Shares Offer Election Notice shall specify the period of time for which the Conversion Shares Offer will be open (the “**Conversion Shares Offer Period**”). The Conversion Shares Offer Period shall end no later than 40 Business Days after the giving of the Conversion Shares Offer Election Notice by the Issuer.
- (vii) Upon expiry of the Conversion Shares Offer Period, the Settlement Shares Depositary will provide notice to the Holders of the Securities in accordance with Condition 14 and to the Trustee, the Principal Paying Agent and the Conversion Agent of the composition of the Alternative Consideration (and of the deductions to the cash component, if any, of the Alternative Consideration (as set out in the definition of Alternative Consideration)) per Calculation Amount. The Alternative Consideration shall be held on trust by the Settlement Shares Depositary for the Securityholders. The cash component of any Alternative Consideration shall be payable by the Settlement Shares Depositary to the Holders of the Securities in pounds sterling and whether or not the Solvency Condition referred to in Condition 4(a) is satisfied.
- (viii) The Issuer reserves the right, in its sole and absolute discretion, to elect that the Settlement Shares Depositary terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period. If the Issuer makes such election, it will provide at least three Business Days’ notice to the Holders in accordance with Condition 14 and to the Trustee, the Principal Paying Agent and the Conversion Agent and the Settlement Shares Depositary may then, in its sole and absolute discretion, take steps to deliver to Holders the Ordinary Shares to be delivered on Conversion at a time that is earlier than the time at which they would have otherwise received the Alternative Consideration had the Conversion Shares Offer been completed.
- (ix) By virtue of its holding of any Security, each Holder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Settlement Shares Depositary, such Holder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and, notwithstanding that such Ordinary Shares are held by the Settlement Shares Depositary on trust for the Securityholders, to the Settlement Shares Depositary using the Ordinary Shares delivered to it on Conversion to settle any Conversion

Shares Offer; (ii) irrevocably consented to the transfer of the interest such Holder has in the Ordinary Shares delivered on Conversion to the Settlement Shares Depository to one or more purchasers identified by the Settlement Shares Depository in connection with the Conversion Shares Offer; (iii) irrevocably agreed that the Issuer and the Settlement Shares Depository may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Securities; and (iv) irrevocably agreed that none of the Issuer, the Trustee, the Settlement Shares Depository or the Conversion Calculation Agent shall, to the extent permitted by applicable law, incur any liability to the Holders in respect of the Conversion Shares Offer (except for the obligations of the Settlement Shares Depository in respect of the Holders' entitlement to, and the subsequent delivery of, any Alternative Consideration).

If the Issuer elects to conduct a Conversion Shares Offer, each Holder, by virtue of its holding of any Security, irrevocably agrees that it shall not require (or seek to require) delivery of any Ordinary Shares held by the Settlement Shares Depository until the expiry of the Conversion Shares Offer Period.

Any Conversion Shares Offer shall only be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is appropriate and practicable. The purchasers of the Ordinary Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (subject as set out in the definition of Alternative Consideration). Neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue or other equity issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of Ordinary Shares at or below the Conversion Price.

- (x) The Trustee shall not be responsible for monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Settlement Shares Depository or any other person in respect thereof. Following Conversion and delivery of the Ordinary Shares to the Settlement Shares Depository, Securityholders must look to the Settlement Shares Depository for any Ordinary Shares or Alternative Consideration due to them at the relevant time.

(d) *Adjustments to the Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted by the Conversion Calculation Agent as follows:

- (i) If and whenever there shall be a consolidation, subdivision, reclassification or redesignation in relation to the Ordinary Share which alters the number of Ordinary Shares in issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately prior to such consolidation, subdivision, reclassification or redesignation, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, subdivision, reclassification or redesignation, as the case may be.

Such adjustment shall become effective on the date such consolidation, subdivision, reclassification or redesignation takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid up to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than where:
- (A) any such Ordinary Shares are issued instead of the whole or part of a Cash Distribution which the Shareholders would or could otherwise have received; or
 - (B) the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares; or
 - (C) any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise),

the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately prior to such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date on which any such newly issued Ordinary Shares are issued.

- (iii) If and whenever the Issuer shall pay any Extraordinary Distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Ex-Date in respect of such Extraordinary Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A means the Current Market Price of one Ordinary Share on the Ex-Date in respect of the Extraordinary Distribution; and

B means the portion of the aggregate Fair Market Value of the Extraordinary Distribution (as at the Ex-Date in respect thereof) attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Fair Market Value of the Extraordinary Distribution (as at the Ex-Date in respect thereof) by the number of Ordinary Shares entitled to receive the Extraordinary Distribution.

Such adjustment shall become effective on the Ex-Date in respect of the Extraordinary Distribution.

- (iv) If and whenever the Issuer shall issue Ordinary Shares to holders of any Ordinary Shares as a class by way of rights, or the Issuer or (at the direction or request of, or pursuant to any arrangements with, the Issuer) any other company, person or entity shall issue or grant such holders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any such Ordinary Shares, or any securities (including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire, any such Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share of that class on the Ex-Date in respect of such issue or grant, then, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the total number of Ordinary Shares in issue on the Ex-Date;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the securities (including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer) issued by way of rights, or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof in each case as determined by the Issuer in good faith, would purchase at such Current Market Price per Ordinary Share on the Ex-Date; and

C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate,

provided that if, at the Ex-Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 9(d)(iv), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Ex-Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Ex-Date.

Such adjustment shall become effective on the Effective Date.

For the purpose of this Condition 9(d)(iv), “**Effective Date**” means the later of (i) the Ex-Date in respect of such issue or grant and (ii) the first date on which the adjustment to the Conversion Price is capable of being determined in accordance with these Conditions.

For the purpose of any calculation of the consideration receivable or price pursuant to this Condition 9(d)(iv), the following provisions shall apply:

- (A) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (B) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Ex-Date, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (C) if the consideration or price determined pursuant to (A) or (B) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Ex-Date;
- (D) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or options, warrants or rights, or otherwise in connection therewith; and
- (E) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.
- (v) Notwithstanding paragraphs (i) to (iv) above, and (vi) below, no adjustment to the Conversion Price will be made:
 - (A) as a result of (1) the creation of any new class of share in the Issuer, or (2) the occurrence of any of the events referred to in paragraphs (i) to (iv) above in respect of any class of share which is not the subject of the relevant paragraph;
 - (B) as a result of the payment of any Cash Distribution (other than an Extraordinary Distribution);
 - (C) to the extent Ordinary Shares or other securities (including rights, warrants or options in relation to Ordinary Shares and other securities) are issued, offered, exercised, allotted,

purchased, appropriated, modified or granted to, or for the benefit of, directors or employees or former directors or employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme;

- (D) if an increase in the Conversion Price would result from such adjustment, except in the case of a consolidation of Ordinary Shares; or
- (E) to such extent as would result in the Conversion Price being reduced below the nominal value of an Ordinary Share (and, for the avoidance of doubt, in circumstances where this paragraph (E) prevents an adjustment being made in full, the Conversion Price will be adjusted so as to equal the nominal value of an Ordinary Share),

and provided further that:

- (A) where the events or circumstances giving rise to any adjustment pursuant to this Condition 9(d) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall, subject to compliance with the then prevailing Regulatory Capital Requirements, be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;
 - (B) such modification shall, subject to compliance with the prevailing Regulatory Capital Requirements, be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, and (ii) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency; and
 - (C) for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.
- (vi) If any doubt shall arise as to whether an adjustment is required to be made to the Conversion Price under (i) to (iv) above or as to the appropriate adjustment to the Conversion Price (including, without limitation, as to the determination of any effective date), following consultation between the Issuer and an Independent Adviser, a written determination of such Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.
 - (vii) On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.0001, shall be rounded down to the nearest integral multiple of £0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one

per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustments to the Conversion Price shall be given by the Issuer to Securityholders in accordance with Condition 14 and the Trustee and the Agents promptly after the determination thereof.

The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below the nominal value of an Ordinary Share for the time being.

- (viii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price and will not be responsible or liable to any person for any loss arising from any failure by it to do so, nor shall the Trustee be responsible or liable to any person for any determination of whether or not an adjustment to the Conversion Price is required or should be made nor as to the determination or calculation of any such adjustment.
- (ix) All determinations by an Independent Adviser pursuant to, or in respect of, these Conditions shall be deemed to be determinations made by an expert and not by a trustee or fiduciary for the Holders or any other person. No Independent Adviser shall be liable to the Issuer, the Trustee, the Holders or any other person in respect of any such determination made by it except in the case of the wilful default or fraud of the Independent Adviser.
- (x) In any circumstances where these Conditions require a determination to be made by an Independent Adviser, the Issuer shall use all reasonable efforts to appoint such Independent Adviser for such purpose. If, however, the Issuer demonstrates to the satisfaction of the Trustee that, notwithstanding such reasonable efforts, the Issuer has been unable to appoint an Independent Adviser at that time, the relevant determination shall instead be made by the Issuer acting in good faith. The Trustee shall be entitled to rely on any such determinations made by the Issuer as if such determinations had been made by an Independent Adviser and the Trustee shall suffer no liability for doing so.

(e) *Qualifying Relevant Event*

- (i) If a Qualifying Relevant Event shall occur, the Securities shall, where the Conversion Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Conversion Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 9(e) *mutatis mutandis* as provided in this Condition 9) at a Conversion Price that shall be the New Conversion Price. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with Condition 9(a) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities (but shall be without prejudice to the rights of the Trustee and (in the circumstances described in Condition 12(d)) the Securityholders against the Approved Entity in connection with its undertaking to deliver Relevant Shares as provided in the definition of "New Conversion Condition" in Condition 9(e)(vi)(D) below) and, for the avoidance of doubt, shall not discharge any liabilities owed to the Trustee or any provisions of the Trust Deed that are specified as surviving the termination of the Trust Deed. Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Securityholders, to deliver the Relevant Shares to or to the order of the Securityholders as aforesaid.

- (ii) The New Conversion Price shall be subject to adjustment in the circumstances provided in Condition 9(d) (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to the Securityholders (in accordance with Condition 14), the Trustee and the Agents of the New Conversion Price and of any such modifications and amendments.
- (iii) In the case of a Relevant Event where the Acquiror is an Approved Entity:
 - (A) the Issuer shall enter into such agreements and arrangements, which may include deeds supplemental to the Trust Deed, and such amendments to the Trust Deed and these Conditions shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Securities shall (following the occurrence of a Trigger Event) be convertible into, or exchangeable for, the Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with and subject to, this Condition 9 (as may be so supplemented, amended or modified) at the New Conversion Price; and
 - (B) the Issuer shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 9, as may be supplemented, amended or modified as provided above.

The Trustee shall (at the expense of the Issuer and provided that the Trustee is satisfied that the effect of such amendments will be only that the Securities shall be convertible into, or exchangeable for, the Relevant Shares of the Approved Entity as provided in Condition 9(e)(iii)(A) above) be bound to concur with the Issuer in making any such amendments to the Trust Deed and these Conditions, and execute any such deeds supplemental to the Trust Deed, provided further that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection, power, right or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Securities.

- (iv) In the case of a Non-Qualifying Relevant Event, with effect from the occurrence of the Relevant Event and unless a Conversion Date shall have occurred prior to the date of such Relevant Event, outstanding Securities shall not be subject to Conversion at any time notwithstanding that a Trigger Event may occur subsequently but instead, upon the occurrence of a subsequent Trigger Event (if any) the full principal amount of each Security will automatically be written down to zero, each Security will be cancelled, all accrued but unpaid interest and any other amounts payable on each Security will be cancelled (irrespective of whether such amounts have become due and payable prior to the occurrence of the Trigger Event) and the Securityholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Securities or to any interest or other amount so cancelled.
- (v) Within 10 days following the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Securityholders (a “**Relevant Event Notice**”) in accordance with Condition 14 and to the Trustee and the Agents. The Relevant Event Notice shall specify:
 - (A) the identity of the Acquiror;

- (B) whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;
 - (C) in the case of a Qualifying Relevant Event, the New Conversion Price.
- (vi) As used in these Conditions:
- (A) “**Acquiror**” means the person which, following a Relevant Event, controls the Issuer;
 - (B) “**Approved Entity**” means a body corporate that is incorporated or established under the laws of an OECD member state and which, on the occurrence of the Relevant Event, has in issue Relevant Shares;
 - (C) “**EEA Regulated Market**” means a regulated market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments;
 - (D) the “**New Conversion Condition**” shall be satisfied if by not later than seven days following the occurrence of a Relevant Event where the Acquiror is an Approved Entity, the Issuer shall have entered into arrangements to its satisfaction with the Approved Entity pursuant to which the Approved Entity irrevocably undertakes to the Trustee, for the benefit of the Securityholders, to deliver the Relevant Shares to the Settlement Share Depository for the Securityholders upon a Conversion of the Securities, all as contemplated in Condition 9(e)(i);
 - (E) “**New Conversion Condition Effective Date**” means the date with effect from which the New Conversion Condition shall have been satisfied;
 - (F) “**New Conversion Price**” means the higher of (A) NCP determined by the Conversion Calculation Agent in accordance with the following formula and (B) the nominal amount of one Relevant Share:

$$\text{NCP} = \text{ECP} \times (\text{VWAPRS}/\text{VWAPOS})$$

where:

ECP is the Conversion Price in effect on the dealing day immediately prior to the New Conversion Condition Effective Date provided that for the purpose of this definition only, if in accordance with Condition 9(d)(vii) any adjustment was not required to be made to the Conversion Price and/or the Conversion Price was rounded down in respect of an adjustment pursuant to Condition 9(d)(i), (ii), (iii), (iv) or (vi), the Conversion Price in effect immediately prior to the New Conversion Condition Effective Date shall be the Conversion Price that would have been in effect at such time if such adjustment which was not made had actually been made at the relevant time and/or, as the case may be, if such rounding down had not been made;

NCP is the New Conversion Price (if not an integral multiple of £0.0001, rounded down to the nearest integral multiple of £0.0001);

VWAPRS means the arithmetic average of the VWAPs of the Relevant Shares (each translated, if necessary, into pounds sterling at the Prevailing Rate on the relevant Trading Day) on each of the 10 consecutive Trading Days for the Relevant Shares

ending on the Trading Day for the Relevant Shares prior to the date the Relevant Event shall have occurred (and where references in the definition of “VWAP” to “Ordinary Shares” shall be construed as a reference to the Relevant Shares); and

VWAP is the arithmetic average of the VWAPs of the Ordinary Shares (each translated, if necessary into pounds sterling at the Prevailing Rate on the relevant Trading Day) on each of the 10 consecutive Trading Days ending on the Trading Day prior to the date the Relevant Event shall have occurred;

- (G) “**Non-Qualifying Relevant Event**” means a Relevant Event that is not a Qualifying Relevant Event;
- (H) “**Qualifying Relevant Event**” means a Relevant Event where: (A) the Acquiror is an Approved Entity; and (B) the New Conversion Condition is satisfied;
- (I) “**Regulated Market**” means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in the UK or another OECD member state;
- (J) a “**Relevant Event**” shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of the Issuer (other than as a result of a Newco Scheme). For the purposes of this definition of Relevant Event, “**control**” means, directly or indirectly:
 - (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of the Issuer; or
 - (b) the right to appoint and/or remove all or the majority of the members of the board of directors of the Issuer, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise,and “**controlled**” shall be construed accordingly; and
- (K) “**Relevant Shares**” means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) which is listed and admitted to trading on the Relevant Stock Exchange which shall be a Regulated Market.

(f) *Covenants*

Whilst any Security remains outstanding, the Issuer shall (if and to the extent permitted by the Regulatory Capital Requirements from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur) in the event of a Newco Scheme, save with the approval of an Extraordinary Resolution, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement but subject to having first notified the Supervisory Authority of any relevant amendments in accordance with the procedure required by the Regulatory Capital Requirements from time to time (if required by those Regulatory Capital Requirements), such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed. The Trustee shall (at the expense of the Issuer and provided that the Trustee is satisfied that the effect of such amendments will be only that the Securities may be converted

into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed) be bound to concur in effecting such amendments, provided that the Trustee shall not be bound to concur if to do so would (i) expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) change, increase or add to the obligations or duties of the Trustee or (iii) remove or amend any protection, power, right or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Securities.

(g) *Taxes etc.*

The Issuer shall not be liable for any taxes or capital, stamp, issue, registration or transfer taxes or duties arising in any jurisdiction on Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares upon Conversion and/or the payment of any Alternative Consideration. A Securityholder must pay all (if any) taxes and capital, stamp, issue, registration and transfer taxes and duties arising on Conversion in connection with the issue and delivery of Ordinary Shares to the Settlement Shares Depository on behalf of such Securityholder and all (if any) taxes or capital, stamp, issue, registration and transfer taxes and duties arising as a consequence of any disposal or deemed disposal of its Securities (or any interest therein) and/or the issue or delivery to it of any Ordinary Shares (or any interest therein). Any taxes or capital, stamp, issue, registration or transfer taxes or duties arising on delivery or transfer of Ordinary Shares to a purchaser in any Conversion Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(h) *Delivery*

The Ordinary Shares or, as applicable, any Ordinary Shares component of the Alternative Consideration to be delivered by or on behalf of the Issuer on Conversion will be issued and delivered or, as the case may be, paid to the Settlement Shares Depository (or as otherwise provided in these Conditions) on the Conversion Date to be held on trust for the Holders.

Such Ordinary Shares (or any Ordinary Share component of any Alternative Consideration, if applicable) will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form.

Where any Ordinary Shares (or any Ordinary Share component of any Alternative Consideration, if applicable) are to be delivered to Holders by the Settlement Shares Depository through CREST, they will be delivered to the account specified by the relevant Securityholder in the relevant Conversion Notice, on the relevant Settlement Date.

Any cash component of any Alternative Consideration shall be paid by transfer to a sterling account with a bank that processes payments in sterling in accordance with the instructions contained in the relevant Conversion Notice.

The Ordinary Shares (or any Ordinary Share component of any Alternative Consideration, if applicable) will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (iii) to the CREST account of such a person described in (i) or (ii).

(i) *Ordinary Shares*

The Ordinary Shares (or any Ordinary Share component of any Alternative Consideration, if applicable) issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank pari passu with the relevant fully paid Ordinary Shares in issue on the Conversion Date, except in any such case as provided in Condition 9(b)(v) and for any right excluded by mandatory provisions of applicable law, and except that any Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, distribution or payments the record date or other due date for the establishment of entitlement for which falls prior to the Conversion Date.

(j) *Purchase or Redemption of Ordinary Shares*

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Securityholders.

(k) *Conversion Calculation Agent*

Adjustments to the Conversion Price made by the Conversion Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Conversion Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Issuer, the Trustee, the Securityholders, the Agents, and (in the case of a determination by an Independent Adviser) the Conversion Calculation Agent. Subject to the provisions of the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may consult on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Securityholders or any Agent in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

The Conversion Calculation Agent shall act solely upon the request from, and exclusively as agent of, the Issuer. Neither the Conversion Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Securities (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust with, and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith in connection with their appointment as Conversion Calculation Agent or, as the case may be, Independent Adviser, as against the Trustee, the Securityholders, any Agent or (in the case of a determination by an Independent Adviser) the Conversion Calculation Agent.

So long as any Securities remain outstanding, the Issuer will maintain a Conversion Calculation Agent. The name of the initial Conversion Calculation Agent is set out at the start of these Conditions.

The Issuer may at any time with the prior written approval of the Trustee, but without prior notice to the Agents or the Securityholders, replace the Conversion Calculation Agent with an independent financial institution or an independent financial adviser with appropriate expertise. If the Conversion Calculation Agent is unable or unwilling to continue to act as the Conversion Calculation Agent or fails duly to determine the Conversion Price adjustments as provided in this Condition 9 and/or the Alternative Consideration, the Issuer shall forthwith appoint an independent financial institution or an independent financial adviser with appropriate expertise, in each case approved in writing by the Trustee, to act as such in such Conversion Calculation Agent's place. Subject as provided in the Conversion Calculation Agency

Agreement, the Conversion Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

10. TAXATION

(a) *Payment without withholding*

All payments by or on behalf of the Issuer in respect of the Securities 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 (“**Taxes**”) imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (each, a “**Taxing Jurisdiction**”), unless the withholding or deduction of the Taxes is required by law. If any such withholding or deduction for or on account of any Taxes is required by the law of a Taxing Jurisdiction, the Issuer will pay such additional amounts (“**Additional Amounts**”) in respect of the payment of any interest (but not principal) on the Securities as may be necessary in order that the net amounts of any interest received by the Securityholders after the withholding or deduction shall equal the amounts of any interest which would otherwise have been receivable in respect of the Securities in the absence of any withholding or deduction, except that no Additional Amounts shall be payable in relation to any payment in respect of any Security:

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

(b) *Additional Amounts*

Any reference in these Conditions to any amounts (including Interest Amounts) payable in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 10 or under any undertakings given in addition to, or in substitution for, this Condition 10 pursuant to the Trust Deed.

11. PRESCRIPTION

Securities will become void unless claims are made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Securities, subject to the provisions of Condition 6.

12. NON-PAYMENT WHEN DUE AND WINDING-UP

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, these Conditions and/or the Securities. The restrictions on commencing proceedings described below will not apply to any such claim.

(a) *Proceedings for Winding-Up*

In the event of a Winding-Up, or if the Issuer has not made payment of any amount in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a Winding-Up. The Trustee may prove in a Winding-Up (whether or not instituted by the Trustee), such claim being that set out in Condition 5(a) or 5(b), as applicable.

(b) *Enforcement*

Without prejudice to Condition 12(a), the Trustee may, at its discretion, and without notice, institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer (including, without limitation, proceedings, actions or steps to enforce obligations of the Issuer in connection with a Conversion) under the Trust Deed or these Conditions (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) provided that in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions or the Trust Deed.

Nothing in this Condition 12(b) shall, however, prevent the Trustee from instituting proceedings for the Winding-Up, proving in any Winding-Up or exercising rights under Condition 5(a) or, as applicable, Condition 5(b) in respect of any payment obligations of the Issuer arising from or in respect of the Securities or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Condition 12(a).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) against the Issuer to enforce the terms of the Securities or the Trust Deed or any other action under or pursuant to the Trust Deed, these Conditions and/or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the holders of at least one-quarter in aggregate principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Right of Securityholders*

No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for a Winding-Up or to prove in a Winding-Up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) *Extent of Securityholder's remedy*

No remedy against the Issuer, other than as referred to in this Condition 12, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities 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 Securities or the Trust Deed.

13. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any Agent as may from time to time be designated by the Issuer, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and/or the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. NOTICES

All notices regarding the Securities shall be valid if sent by post to the Securityholders at their respective addresses in the Register and, if and for so long as the Securities are listed on the International Securities Market of the London Stock Exchange or on any other stock exchange, notices will also be given or published in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

The Issuer shall send a copy of all notices given by it to Securityholders or the Trustee pursuant to these Conditions simultaneously to the Conversion Calculation Agent.

15. MEETINGS OF SECURITYHOLDERS, MODIFICATION AND WAIVERS

(a) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders (which may be at a physical location or by way of conference call or video conference) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting of Securityholders for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, except that at any meeting the business of which includes Reserved Matters, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present 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 Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders will be binding on all Securityholders, whether or not they are present at the meeting and whether or not they voted on the resolution.

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 Securities who for the time being are entitled to receive notice of a meeting of Securityholders 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 Securityholders.

(b) Modification, authorisation, waiver

Except where the Trustee is bound pursuant to Conditions 9(e)(iii) and 9(f) to give effect to the amendments described therein, the Trustee may agree (other than in respect of a Reserved Matter), without the consent of the Securityholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders) or may agree, without any such consent as aforesaid and

irrespective of whether the same constitutes a Reserved Matter, to any modification which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest error.

Any modification or waiver of these Conditions and the Trust Deed shall be subject to the Issuer having notified the Supervisory Authority of such modification or waiver in accordance with the procedure required by the Regulatory Capital Requirements from time to time, in each case if and as required by those Regulatory Capital Requirements. If the Trustee is requested to consider any modification or waiver of the Conditions or Trust Deed or to convene a meeting of Securityholders in respect thereof, the Issuer shall provide to the Trustee a certificate signed by two Authorised Signatories certifying that it has given such notice or that such notice is not required, and the Trustee shall rely, and act upon, such certificate absolutely without any liability for so doing.

(c) *Trustee to have regard to interests of Securityholders as a class*

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

(d) *Notification to the Securityholders*

Any modification, abrogation, waiver, authorisation or substitution referred to in this Condition 15 or in Condition 16 shall be binding on the Securityholders and, unless the Trustee agrees otherwise, notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 14.

(e) *Newco Scheme*

In the event of a Newco Scheme, the Issuer may, subject as provided in Condition 16 and the Trust Deed, without the consent of Securityholders, at its option, procure that Newco is substituted under such Securities as the Issuer.

At the request of the Issuer, the Trustee shall, at the expense of the Issuer, without the requirement for any consent or approval of the Securityholders, be bound to concur with the Issuer in the substitution in place of the Issuer (or any previous substituted company) as principal debtor under the Trust Deed and the Securities of Newco, subject to the provisions set out in Condition 9(f) and Condition 16.

16. SUBSTITUTION OF THE ISSUER

The Trust Deed contains provisions (in the case of (i) below) requiring the Trustee and (in the case of (ii) below) permitting the Trustee (subject to Regulatory Approval), to agree, without the consent of the Securityholders, to:

- (i) any substitution as provided in and for the purposes of Condition 15(e); or

- (ii) the substitution of the Issuer's successor in business in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the Securities,

subject to:

- (a) (in the case of (ii) only) the Trustee being of the opinion that such substitution is not materially prejudicial to the interests of the Securityholders; and
- (b) (in the case of (i) and (ii)) certain other conditions set out in the Trust Deed being complied with.

In the case of such a substitution, the Trustee may agree, without the consent of the Securityholders, to a change of the law governing the Securities and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

17. RIGHTS OF THE TRUSTEE

(a) Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Securityholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Securityholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(c) Reliance by Trustee on reports, confirmations, certificates and advice

The Trustee may rely without liability to Securityholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institutions or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Securityholders.

(d) Mandatory modifications

When implementing any modification pursuant to Condition 9(e)(iii)(A) or 9(f), the Trustee shall not consider the interests of the Securityholders or any other person. The Trustee shall not be liable to the Securityholders or any other person for so acting or for any losses incurred by any person by reason thereof, irrespective of whether any such modification is or may be prejudicial to the interests of any such person and/or is or may be a Reserved Matter.

(e) *Trustee's remuneration, liability etc*

The provisions of Conditions 4 and 5 apply only to the principal and interest and any other amounts payable in respect of the Securities and nothing in Conditions 4, 5, 7 or 12 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.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 4(a) or Condition 6(a), Conversion pursuant to Condition 9 or any cancellation of the Securities or write down of any claims in respect thereof following the occurrence of a Non-Qualifying Relevant Event pursuant to Condition 9(e)(iv). Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date, first payment of interest, if any, on them and/or the issue price thereof) so that the same shall be consolidated and form a single series with the Securities or upon such other terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of issue (“**Further Securities**”). Any Further Securities which are to form a single series with the Securities constituted by the Trust Deed or any supplemental deed shall be constituted by a deed supplemental to the Trust Deed.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) *Governing law*

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

(b) *Jurisdiction of English courts*

The Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Securityholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Securityholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Securities respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities) (together referred to as “**Proceedings**”) against the Issuer or the

Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

20. ACKNOWLEDGEMENT OF BAIL-IN POWER

The Banking Act 2009 (the "**Banking Act**") has implemented in United Kingdom law the majority of the provisions of Directive 2014/59/EU (as amended by Directive (EU) 2017/2399) (the "**BRRD**"). The Securities will be subject to the write-down and conversion of capital instruments and liabilities powers pursuant to Article 59 of the BRRD (as such provision has been transposed into United Kingdom law). The Securities will also be subject, pursuant to the Banking Act, to the application of resolution tools by Her Majesty's Treasury, the Bank of England, the Prudential Regulation Authority and/or the Financial Conduct Authority.

21. RIGHTS OF THIRD PARTIES

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

22. DEFINITIONS

In these Conditions:

"**5-year Gilt Rate**" has the meaning given to it in Condition 6(d).

"**Accrual Date**" has the meaning given to it in Condition 6(c).

"**Accrued Interest**" means, with respect to a scheduled redemption date, any interest accrued on the Securities from (and including) the Interest Payment Date most recently preceding such redemption date (or, if none, the Issue Date) to (but excluding) such redemption date and which is unpaid, but excluding any interest which has been cancelled in accordance with Condition 4(a), Condition 6(a) or Condition 9(a)(ii).

"**Acquiror**" has the meaning given to it in Condition 9(e)(vi)(A).

"**Additional Amounts**" has the meaning given to it in Condition 10(a).

"**Additional Tier 1 Capital**" has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

"**Agency Agreement**" has the meaning given to it in the preamble to these Conditions.

"**Agent**" means the Registrar and each of the other agents appointed pursuant to the Agency Agreement.

"**Agent Bank**" means Citibank, N.A., London Branch, or such other independent investment bank or financial institution which may be appointed by the Issuer from time to time to perform the functions expressed to be performed by the Agent Bank under these Conditions.

"**Alternative Consideration**" means, in respect of each Security and as determined by the Conversion Calculation Agent, (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security (less an amount (determined in good faith by the Issuer) equal to the

pro rata share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid in any jurisdiction in connection with the issue and delivery of Ordinary Shares to the Settlement Shares Depository pursuant to the Conversion Shares Offer), translated, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs (determined in good faith by the Issuer)) (rounded down if necessary to the nearest integral multiple of £0.01), (ii) if some but not all of such Ordinary Shares to be issued and delivered upon Conversion are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security (less an amount (determined in good faith by the Issuer) equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid in any jurisdiction in connection with the delivery of Ordinary Shares to the Settlement Shares Depository pursuant to the Conversion Shares Offer) translated, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs (determined in good faith by the Issuer)) (rounded down if necessary to the nearest integral multiple of £0.01) and (y) the *pro rata* share of such Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security (rounded down if necessary to the nearest whole number of Ordinary Shares) and (iii) if no Ordinary Shares are sold in the Conversion Shares Offer, the relevant number of Ordinary Shares that would have been received had the Issuer not elected that the Settlement Shares Depository should carry out a Conversion Shares Offer.

“**Approved Entity**” has the meaning given to it in Condition 9(e)(vi)(B).

“**Assets**” has the meaning given to it in Condition 4(a).

“**Authorised Signatory**” has the meaning given to it in the Trust Deed.

“**Banking Act**” has the meaning given to it in Condition 20.

“**BRRD**” has the meaning given to it in Condition 20.

“**Business Day**” has the meaning given to it in Condition 6(d).

“**Calculation Amount**” means £1,000 in principal amount of Securities.

“**Capital Disqualification Event**” has the meaning given to it in Condition 8(c).

“**Capital Requirements Directive**” means Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended on or prior to 31 December 2020 (including, without limitation, by Directive (EU) 2019/879), and any regulatory or implementing technical standards and other delegated or implementing acts adopted under that Directive, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time.

“**Capital Requirements Regulation**” means Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended on or prior to 31 December 2020 (including, without limitation, by Regulation (EU) 2019/876), and any regulation or implementing technical standards and other delegated or implementing acts adopted under that Regulation, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time.

“**Cash Distribution**” means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to Shareholders as a class in cash (whatever the currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital.

“**Certificate**” has the meaning given to it in Condition 1.

“**Closing Price**” in relation to any securities, options, warrants or other rights on any Trading Day in respect thereof means the closing price of such securities, options, warrants or other rights on the Relevant Stock Exchange in respect thereof on such Trading Day as published by or derived from Bloomberg page HP (or any successor page) in respect of such securities, options, warrants or other rights and such Relevant Stock Exchange (using the setting ‘Last Price’, or any successor setting) on such Trading Day or, if such closing price is not available from Bloomberg as aforesaid, such other source as shall be determined by an Independent Adviser to be appropriate on such Trading Day, provided that if on any such Trading Day such closing price is not available or cannot otherwise be determined as provided above, the Closing Price of such securities, options, warrants or other rights in respect of such Trading Day shall be the Closing Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined, or if such closing price cannot be determined as provided above, the Closing Price shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate.

“**Code**” has the meaning given to it in Condition 7(b).

“**Common Equity Tier 1**” means, as at any date, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital (as that term is used in the Regulatory Capital Requirements) of the Group as at such date, less any deductions from common equity tier 1 capital of the Group required to be made as at such date, in each case as calculated by the Issuer on a consolidated basis, in accordance with the then prevailing Regulatory Capital Requirements but without applying any transitional, phasing in or similar provisions.

“**Common Equity Tier 1 Capital Ratio**” means, as at any date, the ratio of Common Equity Tier 1 of the Group as at such date to the Risk Weighted Assets of the Group as at the same date, expressed as a percentage and on the basis that all measures used in such calculation shall be calculated without applying any transitional, phasing in or similar provisions.

“**Conditions**” means these terms and conditions of the Securities, as amended from time to time.

“**Conversion Agent**” means Citibank, N.A., London Branch, or such other conversion agent appointed by the Issuer from time to time in respect of the Securities in accordance with these Conditions.

“**Conversion**” has the meaning given to it in Condition 9(a).

“**Conversion Calculation Agent**” has the meaning given to it in the preamble to these Conditions.

“**Conversion Calculation Agency Agreement**” has the meaning given to it in the preamble to these Conditions.

“**Conversion Date**” means the date specified as such in the Trigger Event Notice in accordance with Condition 9(a), being a date no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of the Trigger Event.

“**Conversion Notice**” means a notice in the form for the time being currently available from the specified office of any Agent and which is required to be delivered by (or on behalf of) a Securityholder to the Settlement Shares Depository (or its agent(s) designated for the purpose in the Trigger Event Notice) in connection with a Conversion of the Securities and which may contain a representation that the relevant Holder is entitled to take delivery of the Ordinary Shares in the manner contemplated in these Conditions and has obtained all (if any) consents needed in order to do so.

“**converted**” has the meaning given to it in Condition 9(a).

“**Conversion Price**” has the meaning given to it in Condition 9(a).

“**Conversion Shares Offer**” has the meaning given to it in Condition 9(c)(v).

“**Conversion Shares Offer Election Notice**” has the meaning given to it in Condition 9(c)(v).

“**Conversion Shares Offer Period**” has the meaning given to it in Condition 9(c)(vi).

“**Current Market Price**” means, in respect of an Ordinary Share on a particular date, the arithmetic average of the VWAPs of such Ordinary Share on each of the five consecutive Trading Days ending on the Trading Day immediately preceding such date (the “**Relevant Period**”), provided that:

- (a) for the purposes of Condition 9(d)(iv) in circumstances where the relevant event relates to an issue of Ordinary Shares, if at any time during the Relevant Period (which may be on each of the five Trading Days comprised therein) the VWAP shall have been based on a price ex-dividend (or ex- any other entitlement) and/or during some other part of that Relevant Period (which may be on each of the five Trading Days comprised therein) the VWAP shall have been based on a price cum- dividend (or cum- any other entitlement), in any such case which has been declared or announced, then:
 - (i) if the Ordinary Shares to be issued do not rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price cum- such dividend (or cum- such any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of such dividend or entitlement per Ordinary Share as at the Ex-Date in respect of such dividend or entitlement (or, where on each of the five Trading Days comprised in the Relevant Period the VWAP shall have been based on a price cum- such dividend (or cum- such other entitlement), as at the date of first public announcement of such dividend or entitlement); or
 - (ii) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price ex- such dividend (or ex- such other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of such dividend or entitlement per Ordinary Share as at the Ex-Date in respect of such dividend or entitlement; and
- (b) for any other purpose, if any day during the Relevant Period was the Ex-Date in relation to any dividend (or any other entitlement) the VWAPs that shall have been based on a price cum- such dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of such dividend (or other entitlement) per Ordinary Share as at the Ex-Date in respect of such dividend (or other entitlement),

all as determined by the Conversion Calculation Agent.

“**Day-Count Fraction**” has the meaning given to it in Condition 6(c).

“**Director**” has the meaning given to it in the Trust Deed

“**Distributable Items**” has the meaning given to it in Condition 6(a).

“**EEA Regulated Market**” has the meaning given to it in Condition 9(e)(vi)(C).

“**EUWA**” means the European Union (Withdrawal) Act 2018 as may be amended or replaced from time to time (including without limitation by the European Union (Withdrawal Agreement) Act 2020).

“**Ex-Date**” means, in respect of any dividend or other entitlement (including without limitation any Cash Distribution or issue or grant as referred to in Condition 9(d)(iv)), the first Trading Day on which the Ordinary Shares are traded ex- such dividend or other entitlement on the Relevant Stock Exchange in respect of the Ordinary Shares.

“**Exempt Newco Scheme**” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on a Recognised Stock Exchange or (ii) admitted to listing on such other Regulated Market as the Issuer or Newco may determine.

“**Extraordinary Distribution**” means any Cash Distribution that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders as a class or any analogous or similar term, in which case the Extraordinary Distribution shall be such Cash Distribution.

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed.

“**Fair Market Value**” on any date (the “**FMV Date**”) means:

- (a) with respect to a Cash Distribution, the amount of such Cash Distribution;
- (b) with respect to a cash amount, the amount of such cash;
- (c) with respect to any securities, options, warrants or other rights that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by the Conversion Calculation Agent or an Independent Adviser), the arithmetic mean of the daily Closing Prices of such securities, options, warrants or other rights during the period of five Trading Days on the Relevant Stock Exchange for such securities, options, warrants or other rights commencing on such FMV Date (or, if later, the date (the “**Adjusted FMV Date**”) which falls on the first such Trading Day on which such securities, options, warrants or other rights are publicly traded, provided that where such Adjusted FMV Date falls after the fifth day following the FMV Date, the Fair Market Value of such securities, options, warrants or other rights shall instead be determined pursuant to paragraph (d) below, and no such Adjusted FMV Date shall be deemed to apply) or such shorter period as such securities, options, warrants or other rights are publicly traded, all as determined by the Conversion Calculation Agent; or
- (d) with respect to any securities, options, warrants or other rights that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid) or where otherwise provided in

paragraph (c) above to be determined pursuant to this paragraph (d), an amount equal to the fair market value of such with respect to any securities, options, warrants or other rights as determined in good faith to be appropriate by an Independent Adviser,

provided that (A) such amounts shall (if not expressed in the Relevant Currency on the FMV Date (or, as the case may be, the Adjusted FMV Date)) be translated into the Relevant Currency at the Prevailing Rate on the FMV Date (or, as the case may be, the Adjusted FMV Date), all as determined by the Conversion Calculation Agent, and (B) that the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“First Reset Date” has the meaning given in Condition 6(b)(i).

“Further Securities” has the meaning given in Condition 18.

“Group” means the Issuer and its subsidiaries from time to time.

“Independent Adviser” means any independent financial institution or an independent financial adviser with appropriate expertise (which may be (without limitation) the Conversion Calculation Agent), the identity of which has been approved by the Trustee (other than in the case of the Conversion Calculation Agent), appointed by the Issuer at its own expense from time to time for the purposes of carrying out the duties described in one or more of these Conditions and in performing such role such entity shall have regard to the interests of the Issuer and the Securityholders alike.

“Initial Interest Rate” has the meaning given to it in Condition 6(b)(i).

“Interest Amount” means the amount due on each Security on an Interest Payment Date.

“Interest Payment Date” has the meaning given to it in Condition 6(b).

“Interest Period” has the meaning given to it in Condition 6(b).

“Interest Rate” means the Initial Interest Rate and/or the applicable Reset Interest Rate, as the case may be.

“Issue Date” means 7 October 2021.

“Issuer” has the meaning given to it in the preamble to these Conditions.

“Junior Obligations” means (i) any Ordinary Share or other securities of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 5(a) and/or (ii) any securities issued by any other member of the Group where the terms of such securities benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 5(a);

“Liabilities” has the meaning given to it in Condition 4(a).

“Long-Stop Date” means the date on which any Securities in relation to which no duly completed Conversion Notice has been received by the Settlement Shares Depository (or its designated agent(s)) shall be cancelled, which date is expected to be no more than 60 Business Days following the Conversion Date and which will be notified to Holders in the Trigger Event Notice.

“**Margin**” has the meaning given to it in Condition 6(d).

“**Maximum Distributable Amount**” means any applicable maximum distributable amount relating to the Group required to be calculated in accordance with Article 141 of the Capital Requirements Directive (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA) and/or in accordance with any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Group is failing to meet any applicable requirements or any buffers relating to such requirement.

“**New Conversion Condition**” has the meaning given to it in Condition 9(e)(vi)(D).

“**New Conversion Condition Effective Date**” has the meaning given to it in Condition 9(e)(vi)(E).

“**New Conversion Price**” has the meaning given to it in Condition 9(e)(vi)(F).

“**Newco Scheme**” means a scheme of arrangement or analogous proceeding (“**Scheme of Arrangement**”) which effects the interposition of a limited liability company (“**Newco**”) between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the “**Existing Shareholders**”) and the Issuer; provided that: (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement, the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement, the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

“**Non-Qualifying Relevant Event**” has the meaning given to it in Condition 9(e)(vi)(G).

“**Notional Preference Share**” has the meaning given to it in Condition 5(a).

“**Ordinary Shares**” means the ordinary voting shares in the capital of the Issuer (or, in the event of an Exempt Newco Scheme, the ordinary shares of the Newco).

“**Parity Obligations**” means any obligations of the Issuer (including guarantee or other support obligations) which rank, or are expressed to rank, *pari passu* with the Issuer’s obligations in respect of the Securities on a winding-up of the Issuer prior to a Trigger Event (and, for the avoidance of doubt, shall include any other Additional Tier 1 Capital securities of the Issuer (if any) from time to time outstanding).

“**Paying Agent**” means each entity appointed as a paying agent from time to time pursuant to the Agency Agreement.

“**PRA**” means the Prudential Regulation Authority, as defined in the United Kingdom Financial Services and Markets Act 2000 (as amended, modified, re-enacted or replaced from time to time).

“Prevailing Rate” means, in respect of any pair of currencies on any day, the spot mid-rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from Bloomberg page BFIX (or any successor page) in respect of such pair of currencies or, if such rate cannot be so determined, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined, the rate determined in such other manner as an Independent Adviser shall in good faith prescribe.

“Principal Paying Agent” means Citibank, N.A., London Branch, or such other principal paying agent appointed by the Issuer from time to time in respect of the Securities in accordance with these Conditions.

“Proceedings” has the meaning given to it in Condition 19(b).

“Qualifying Relevant Event” has the meaning given to it in Condition 9(e)(vi)(H).

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

“Record Date” has the meaning given to it in Condition 7(a).

“Register” has the meaning given to it in Condition 1.

“Registrar” means Citibank, N.A., London Branch or such other registrar appointed by the Issuer from time to time in respect of the Securities in accordance with these Conditions.

“Regulated Market” has the meaning given to it in Condition 9(e)(vi)(I).

“Regulatory Approval” means such supervisory permission required within prescribed periods from the Supervisory Authority, or such waiver of the then prevailing Regulatory Capital Requirements from the Supervisory Authority, as is required under the then prevailing Regulatory Capital Requirements.

“Regulatory Capital Requirements” means any requirements contained in the Capital Requirements Regulation or United Kingdom domestic legislation or the regulations, requirements, guidelines and policies of the Supervisory Authority then in effect in the United Kingdom relating to capital adequacy and applicable to the Issuer and/or the Group.

“Regulatory Preconditions” means, in relation to any redemption or purchase of the Securities, if and to the extent required by prevailing Regulatory Capital Requirements:

- (a) in the case of any redemption or purchase at any time, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that either:
 - (i) the Issuer replaced the Securities with own funds instruments of equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
 - (ii) the Issuer would, following such redemption or purchase, exceed its minimum requirements (including any capital buffer requirements) by a margin that the Supervisory Authority considers necessary at such time; and
- (b) in respect of any redemption or purchase proposed to be made prior to the fifth anniversary of either the Issue Date or, if later, the date on which any Further Securities have been issued pursuant to Condition 18:

- (i) in the case of a redemption upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that such Tax Law Change is material and was not reasonably foreseeable as at the Issue Date (and, if any Further Securities are issued, as at the issue date of such Further Securities);
 - (ii) in the case of a redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change in the regulatory classification of the Securities is sufficiently certain and was not reasonably foreseeable as at the Issue Date (and, if any Further Securities are issued, as at the issue date of such Further Securities); or
 - (iii) in respect of any purchase pursuant to Condition 8(e), the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the Issuer has (or before or at the same time as such purchase will have) replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
 - (iv) the Issuer having purchased the Securities for market-making purposes; or
- (c) if, at the time of such redemption or purchase, the prevailing Regulatory Capital Requirements permit the redemption or purchase after compliance with one or more alternative or additional pre-conditions to those set out in paragraphs (a) and (ii)b) of this definition, the Issuer having complied with such other pre-condition.

“Relevant Currency” means, at any time, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

“Relevant Date” means whichever is the later of: (1) the date on which the payment in question first becomes due; and (2) if the full amount payable has not been received by the Registrar or another 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 Securityholders in accordance with Condition 14.

“Relevant Event” has the meaning given to it in Condition 9(e)(vi)(J).

“Relevant Event Notice” has the meaning given to it in Condition 9(e)(v).

“Relevant Shares” has the meaning given to it in Condition 9(e)(vi)(K).

“Relevant Stock Exchange” means (i) with respect to Ordinary Shares, the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing, and (ii) with respect to Relevant Shares or any other securities, options, warrants or other rights, the principal stock exchange or securities market (if any) on which such Relevant Shares or other securities, options, warrants or other rights, as the case may be, are then listed, admitted to trading or quoted or accepted for dealing.

“Reserved Matter” has the meaning given to it in the Trust Deed.

“Reset Date” means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date.

“**Reset Determination Date**” has the meaning given to it in Condition 6(d).

“**Reset Interest Rate**” has the meaning given to it in Condition 6(d).

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

“**Reset Reference Bank Rate**” has the meaning given to it in Condition 6(d).

“**Reset Reference Banks**” has the meaning given to it in Condition 6(d).

“**Risk Weighted Assets**” means, as at any date, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Group as at such date, as calculated by the Issuer on a consolidated basis, in accordance with the then prevailing Regulatory Capital Requirements.

“**Scheme of Arrangement**” has the meaning given to it in the definition of Newco Scheme.

“**Screen Page**” has the meaning given to it in Condition 6(d).

“**Securities**” has the meaning given to it in the preamble to these Conditions.

“**Securityholder**” or “**Holder**” means the person in whose name a Security is registered.

“**Senior Creditors**” means creditors of the Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a Winding-Up or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Securityholders in a Winding-Up occurring prior to the Trigger Event (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments).

“**Settlement Date**” means, with respect to a Holder seeking to obtain Ordinary Shares or Alternative Consideration, as the case may be, from the Settlement Shares Depositary (or its agent), (i) the second Business Day after the day on which such Holder delivers the relevant Conversion Notice to the Settlement Shares Depositary (or its agent) or (ii) (in the case of Alternative Consideration (including any Ordinary Share component thereof)) the second Business Day after the later of (a) the day on which the Conversion Shares Offer Period expires (or, if later, the day of receipt by the Settlement Shares Depositary of the consideration payable in respect of such Conversion Shares Offer) or is terminated and (b) the date on which the relevant Conversion Shares Settlement Notice has been so received by the Conversion Shares Depositary (or its agent).

“**Settlement Shares Depositary**” means a financial institution, trust company or similar entity (which in each such case is independent of the Issuer) of recognised international or national standing to be appointed by the Issuer on or prior to any date when a function ascribed to the Settlement Shares Depositary in these Conditions is required to be performed to perform such functions and that will hold the Ordinary Shares (and any Alternative Consideration, if any) on trust for the Holders of the Securities in one or more segregated account and otherwise on terms consistent with these Conditions.

“**Shareholders**” means the holders of Ordinary Shares.

“**Solvency Condition**” has the meaning given to it in Condition 4(a).

“**Subsidiary**” means each subsidiary undertaking (as defined under section 1159 of the Companies Act 2006) for the time being of the Issuer.

“**successor in business**” has the meaning given to it in the Trust Deed.

“**Supervisory Authority**” means the PRA and any successor or replacement thereto or such other authority having primary responsibility for the prudential oversight and supervision of the Issuer and/or the Group.

“**Tax Event**” has the meaning given to it in Condition 8(d).

“**Taxes**” has the meaning given to it in Condition 10(a).

“**Taxing Jurisdiction**” has the meaning given to it in Condition 10(a).

“**Tax Law Change**” has the meaning given to it in Condition 8(d).

“**Tier 1 Capital**” has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

“**Tier 2 Capital**” has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

“**Trading Day**” means, in respect of the Ordinary Shares, Relevant Shares or any other securities, options, warrants or other rights, any day (other than a Saturday or a Sunday) on which the Relevant Stock Exchange in respect thereof is open for business and on which such Ordinary Shares, Relevant Shares or other securities, options, warrants or other rights may be traded (other than a day on which such Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time), provided that, unless otherwise specified, references to “Trading Day” shall mean a Trading Day in respect of the Ordinary Shares.

“**Transfer Agent**” means Citibank, N.A., London Branch or such other transfer agent appointed by the Issuer from time to time in respect of the Securities in accordance with these Conditions.

“**Trigger Event**” means, at any time, the Common Equity Tier 1 Capital Ratio of the Group falls below 7 per cent., as determined by the Issuer or by the Supervisory Authority (or any agent appointed by the Supervisory Authority) and notified to the Issuer, such determination to be binding on the holders of the Securities.

“**Trigger Event Notice**” has the meaning given to it in Condition 9(a).

“**Trustee**” means Citicorp Trustee Company Limited or such other or additional trustee appointed from time to time in respect of the Securities in accordance with the Conditions and the Trust Deed.

“**Trust Deed**” has the meaning given to it in the preamble to these Conditions.

“**UK**” means the United Kingdom.

“**VWAP**” in relation to an Ordinary Share on any Trading Day means the volume-weighted average price of such Ordinary Share on the Relevant Stock Exchange in respect thereof on such Trading Day in respect thereof as published by or derived from Bloomberg page HP (or any successor page) in respect of such Ordinary Share and such Relevant Stock Exchange (which shall, for the avoidance of doubt, be, as at

the Issue Date, in the case of an Ordinary Share, OSB LN Equity HP) (using the setting ‘Weighted Average Line’, or any successor setting) on such Trading Day or, if such volume-weighted average price is not available from Bloomberg as aforesaid, such other source as shall be determined by an Independent Adviser to be appropriate on such Trading Day, provided that if on any such Trading Day such volume-weighted average price is not available or cannot otherwise be determined as provided above, the VWAP of an Ordinary Share in respect of such Trading Day shall be the VWAP, determined as provided above, on the immediately preceding Trading Day in respect thereof on which the same can be so determined, or if such volume-weighted average price cannot be determined as provided above, the VWAP shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate.

“**Winding-Up**” means that:

- (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 reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or an Extraordinary Resolution and do not provide that the Securities thereby become redeemable or repayable in accordance with these Conditions);
- (b) following the appointment of an administrator of the Issuer, an 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 paragraph (a) or (b) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

INFORMATION ON THE GROUP

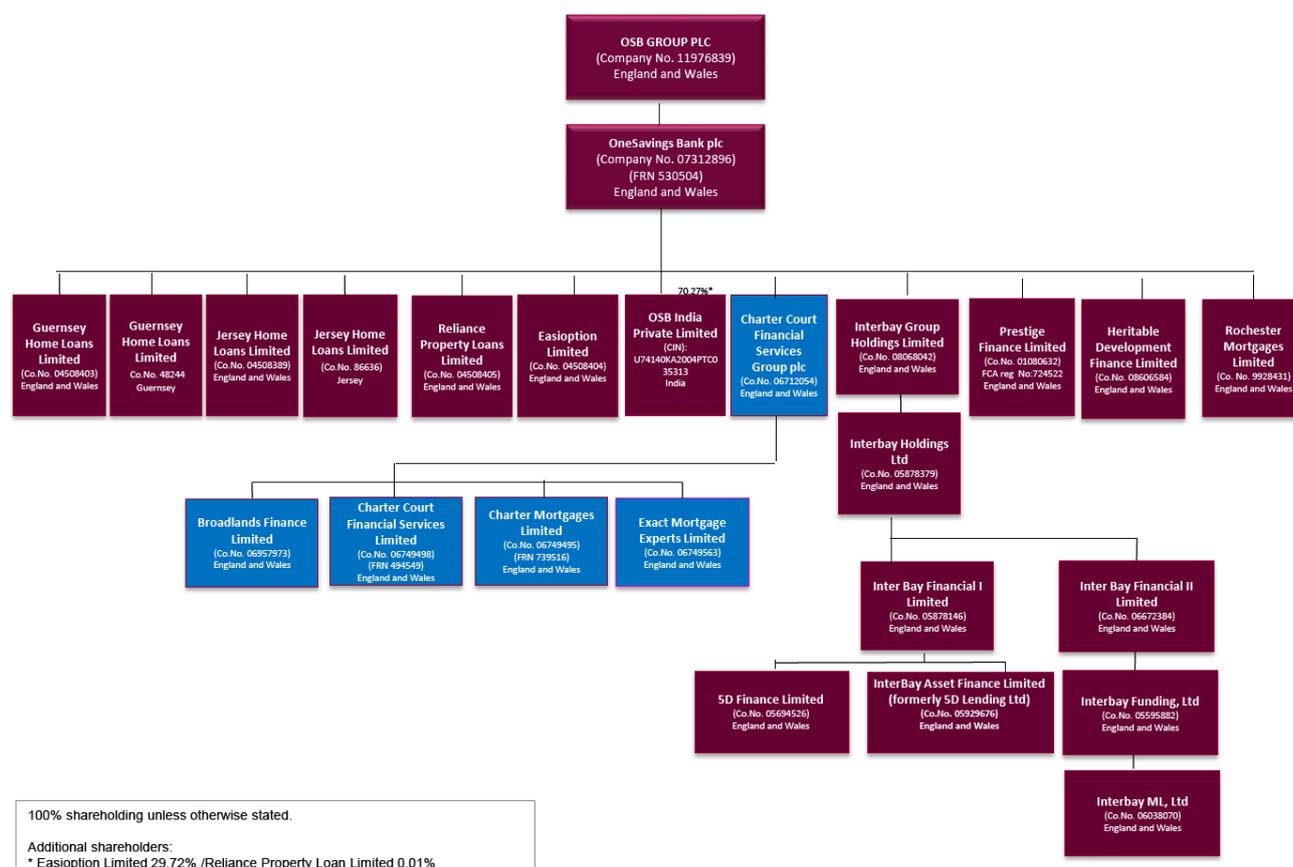
The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this Offering Memorandum.

1. INTRODUCTION

The Issuer and its subsidiaries (the “**Group**”) is a specialist lending and retail savings group and includes firms authorised and regulated by the FCA and the PRA. The Issuer was incorporated and registered in the United Kingdom on 2 May 2019 (Company Number: 11976839) and became the parent company and listed entity within the Group on 30 November 2020. The Issuer’s registered office is at OSB House Quayside, Chatham Maritime, Chatham, United Kingdom, ME4 4QZ. The Issuer is currently rated BBB- by Fitch.

OneSavings Bank plc (“**OSB**”) was incorporated and registered in the United Kingdom on 13 July 2010 (Company Number: 07312896) and began trading as a bank on 1 February 2011. OSB was admitted to the London Stock Exchange’s main market for listed securities on 10 June 2014 and joined the FTSE 250 index in June 2015. On 4 October 2019, OSB acquired Charter Court Financial Services Group plc (Company Number: 06712054) (“**CCFS**”) and its subsidiary businesses (the “**Charter Group Combination**”).

Below is a simplified structure chart of the corporate structure of the Group as at the date of this Offering Memorandum.



2. HISTORY OF THE GROUP

OSB began trading as a bank on 1 February 2011 and was admitted to the London Stock Exchange's main market for listed securities on 10 June 2014. OSB joined the FTSE 250 index in June 2015. The Group is a specialist lending and retail savings group authorised by the PRA and regulated by the FCA and the PRA.

The Group has grown organically and through the acquisition of businesses and portfolios. On 4 October 2019, OSB acquired the Charter Court Group. The Charter Court Group, based at 2 Charter Court, Broadlands, Wolverhampton, WV10 6TD, was initially founded in November 2008 as a provider of credit consultancy and mortgage administration services for pools of mortgage loans owned by third parties. It was subsequently granted permission by the Financial Services Authority (now the FCA) to act as an authorised mortgage administrator and lender and also obtained a banking licence from the PRA.

The strategic rationale for the acquisition of the Charter Court Group was to create a leading specialist lender in the UK with greater scale and resources to deploy on growth opportunities, to leverage complementary strengths in products, brands, cultures and underwriting capabilities, and establish a diversified retail-wholesale funding platform. Following the acquisition, OSB and Charter Court Financial Services undertook a three-year programme to combine the operations of both companies. To date, the combination has resulted in savings and efficiency gains primarily by streamlining the Board and senior management team alongside consolidating various central and support functions. The synergies realised during 2020 from these efficiencies were equivalent to a c. 2 per cent. points improvement in the Group's underlying cost to income ratio. The final costs of the combination are expected to be marginally below the target of £39m by the end of year three.

Based in Chatham, Kent, the OSB Group trades under the Kent Reliance, InterBay Commercial, InterBay Asset Finance and Heritable Development Finance brands in the UK. Following the acquisition of the Charter Court Group, the Group also trades under the Precise Mortgages, Exact Mortgage Experts and Charter Savings Bank brands in the UK. The Group also has a presence in the Channel Islands under the Jersey Home Loans and Guernsey Home Loans brands.

3. BACKGROUND

The Group primarily targets underserved market sub-sectors that offer high growth potential, attractive risk-adjusted returns and where it has established expertise, platforms and capabilities. These include private rented sector/professional buy-to-let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending, secured funding lines and asset finance.

Based in Chatham, Kent, the Group trades under the Kent Reliance, InterBay Commercial, InterBay Asset Finance, Heritable Development Finance, Precise Mortgages, Exact Mortgage Experts and Charter Savings Bank brands in the UK. The Group also has a presence in the Channel Islands under the Jersey Home Loans and Guernsey Home Loans brands.

OSB

OSB originates mortgages organically via specialist brokers and independent financial advisers through its specialist brands including Kent Reliance for Intermediaries (buy-to-let and residential owner occupied business), InterBay Commercial and Heritable Development Finance (commercial, complex buy-to-let, semi-commercial, residential development finance, funding lines and asset finance). The buy-to-let and residential owner occupied business, including complex buy-to-let originated by InterBay Commercial has a gross loan book value as at 30 June 2021 of £10.7 billion (31 December 2020: £10 billion). The commercial, semi-commercial, residential development finance, funding lines and asset finance have a combined gross loan book value as at 30 June 2021 of

£1.1 billion, unchanged against 31 December 2020. It is differentiated through its use of highly skilled bespoke underwriting and an efficient operating model.

CCFS

CCFS focuses on providing buy-to-let and specialist residential mortgages, mortgage servicing, administration and credit consultancy and retail savings products. It operates through its three brands - Precise Mortgages (gross loan book value as at 30 June 2021 of £8.6 billion (31 December 2020: £8 billion)), Exact Mortgage Experts and Charter Savings Bank. It is differentiated through risk management expertise and best-of-breed automated technology and systems, ensuring efficient processing, strong credit and collateral risk control and speed of product development and innovation. These factors have enabled strong balance sheet growth whilst maintaining high credit quality mortgage assets.

4. BUSINESS OVERVIEW

4.1 Strategies and Objectives of the Group

The Group's strategic priorities are to:

- be a leading specialist lender in its chosen market sub-segments, to retain focus on its complementary underwriting platforms (OSB's bespoke and manual approach and CCFS's automated risk assessment platforms), and to further deepen relationships and distribution with intermediaries;
- provide cost-efficient funding through a resilient and diversified funding platform to support future growth, to deliver consistently good value savings products to customers and to pursue sophisticated wholesale funding markets and efficient balance sheet management; and
- continue to leverage its unique and cost-efficient operating model, to leverage deep credit expertise and data analytics and to maintain an efficient, scalable and resilient infrastructure.

The Group reports its lending business under two segments focusing on the OSB and CCFS businesses.

OSB

The strategic objective of OSB is to be a leading specialist lender in chosen markets and market segments, to retain focus on bespoke and responsive underwriting, and further deepen relationships and reputation for delivery with intermediaries.

Buy-to-Let/SME

- (A) Buy-to-let mortgages: OSB provides loans to entities and individuals, secured on residential property held for investment purposes.
- (B) Commercial mortgages: OSB provides loans to entities and individuals, secured on commercial and semi-commercial properties held for investment purposes or for owner-occupation.
- (C) Residential development: OSB provides development loans to small- and medium-sized developers of residential property.
- (D) Funding lines: OSB provides loans to non-bank finance companies secured against portfolios of financial assets, principally mortgages and leases.

- (E) Asset finance: OSB provides loans under hire purchase, leasing and refinancing arrangements to UK SMEs and small corporates to finance business-critical assets.

Residential

- (F) First charge: OSB provides loans to individuals, secured by a first charge against their residential home. The target customers include high-net-worth and complex income customers and near-prime borrowers. OSB also has expertise in shared ownership, lending to first-time buyers and key workers buying a property in conjunction with a housing association.
- (G) Funding lines: OSB provides funding lines to non-bank lenders who operate in high-yielding, specialist sub-segments such as residential bridge finance.

CCFS

The strategic objective of CCFS is to target underserved market sub-sectors which are underpinned by positive long-term market dynamics and where it has established expertise spanning the entire mortgage lifecycle through its highly-skilled and experienced teams.

Buy-to-Let/SME

CCFS provides loans to professional and non-professional landlords with good quality credit history, through a wide product offering, including personal and limited company ownership.

Bridging Loans

CCFS focuses on lending to customers who need to fund short-term cash flow needs, for example to cover light and heavy refurbishments, home improvements, auction purchases and also to “bridge” delays in obtaining mortgages and obtaining “chain breaks”.

Residential

CCFS provides a range of competitive products to prime borrowers, complex prime borrowers (including self-employed, help-to-buy, right to buy and new-build) and near-prime borrowers.

Second Charge Mortgages

CCFS lends to prime residential customers with low loan-to-value ratios, who require additional capital and who wish to secure a loan with a charge against a property which is already charged to another lender.

Origination portfolio – recoveries

In the six months ending 30 June 2021, the Group’s underlying loan book grew 6 per cent. year on year as against 30 June 2020. OSB originated a total of £1,263 million of loans (30 June 2020: £1,043 million), £299 million of which were for residential development (30 June 2020: £185 million) and £964 million of which were in relation to buy-to-let mortgages/SME (30 June 2020: £858 million). Of the buy-to-let mortgages/SME loans originated by OSB, 81 per cent. in value were advanced to professional landlords (30 June 2020: 94 per cent.). CCFS in turn originated £1,194 million of loans (30 June 2020: £1,071 million), in respect of which:

- £313 million were targeted at residential (30 June 2020: £237 million);
- £809 million at buy-to-let mortgages/SME (30 June 2020: £697 million);
- £68 million were bridging loans (30 June 2020: £109 million); and

- £4 million were second charge mortgages (30 June 2020: £28 million).

In respect of the buy-to-let mortgages/SME portfolio originated by CCFS, 72 per cent. in value were advanced to limited companies (30 June 2020: 52 per cent.).

The weighted average interest coverage ratio of 197 per cent. (CCFS: 192 per cent.) for buy-to-let/SME mortgages demonstrates OSB's prudent approach to its assessment of customer affordability, with OSB and CCFS lending at a loan-to-value ratio of 63 per cent. and 66 per cent. respectively across the book. The Group saw good retention levels in the six months ending 30 June 2021, with borrowers generally continuing to choose new products with OSB, and 76 per cent. choosing new products within 3 months (30 June 2020: 69 per cent.).

4.2 Funding

Retail savings

The Group is predominantly funded by retail savings originated through Kent Reliance and Charter Savings Bank. Kent Reliance is an award winning retail savings franchise with over one hundred and fifty (150) years of heritage. It delivers a variety of fixed, notice, easy access and regular savings products, including Individual Savings Accounts (ISAs), to customers and includes online and postal channels, as well as a network of branches and third-party-operated agencies in the South East of England.

Charter Savings Bank is a multi-award winning retail bank providing a range of competitive savings products (including in the pooled deposits market), and includes online and postal channels.

In the six months ending 30 June 2021, approximately 9,000 new accounts were opened with Kent Reliance and 17,000 with Charter Savings Bank. Kent Reliance further retains on average 89 per cent. of customers with maturing fixed rate bonds and ISAs, with Charter Savings Bank retaining approximately 86 per cent. in turn.

Securitisation platforms

CCFS has been a programmatic issuer of high-quality residential mortgage-backed securities through the Precise Mortgage Funding and Charter Mortgage Funding franchises, completing 14 securitisations worth more than £4.5 billion to 31 December 2020. OSB has issued an additional securitisation under Canterbury Finance in 2021, the majority of which have been fully retained, completing four transactions in total under this programme worth more than £4.2 billion to 31 July 2021.

4.3 Operating model

To: (i) deliver distribution, sales and risk processes under a coordinated structure; (ii) leverage the Group's unique and cost efficient operating model including OSB India; and (iii) maintain an efficient, scalable and resilient infrastructure. OSB India undertakes a range of primary processing services at a significantly lower cost than an equivalent UK-based operation, whilst delivering consistently high quality service levels and additionally supports IT, compliance, risk, finance and human resources.

5. DIRECTORS OF THE ISSUER

The Directors and their principal functions within the Group, together with the principal business activities of each outside the Group, are set out below. The business address of each of the Directors (in such capacity) is OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ.

Name	Position	Principal outside activities
David Weymouth	Non-Executive Chairman	Chairman of Mizuho International plc; Non-Executive Director, Fidelity International Holdings (UK) Limited

Andy Golding	Chief Executive Officer	Director, Building Societies Trust Limited
April Talintyre	Chief Financial Officer	-
Noël Harwerth	Senior Independent Director	Non-Executive Director, Scotiabank Europe plc; Member, UK Export Finance Board; Director, Bank of England RTGS CHAPs Board and Department of International Trade
Graham Allatt	Independent Non-Executive Director	-
Sarah Hedger	Independent Non-Executive Director	Non-Executive Director, Balta Group BV; Director, Lincolns Island Limited
Rajan Kapoor	Independent Non-Executive Director	Director, Allica Bank Limited
Mary McNamara	Independent Non-Executive Director	Senior Independent Director, Motorpoint plc

The Group manages risk through a transitional overarching Risk Management Framework (“**RMF**”) which applies in respect of both licenced bank entities. This RMF considers the principal financial and non-financial risks facing the Group in light of its capability and risk regulatory submissions. It will apply for the duration of the combination, being updated as integration activity continues prior to the Group reaching its target end state. The RMF enables the Board and senior management to actively manage and optimise the risk profile within the constraints of the risk appetite. The RMF also enables informed risk-based decisions to be taken in a timely manner, ensuring the interests and expectations of key stakeholders can be met.

The Board is responsible for the long-term success of the Issuer and provides leadership to the Group. The Board focuses on setting strategy, monitoring performance and ensures that the necessary financial and human resources are in place to enable the Issuer to meet its objectives. In addition, it ensures appropriate financial and business systems and controls are in place to safeguard shareholders’ interests and to maintain effective corporate governance. The Board had a particular focus on integration matters and responding to COVID-19 in 2020 and 2021.

The Board is responsible for setting the tone from the top in relation to conduct, culture and values, for ensuring continuing commitment to treating customers fairly, carrying out business honestly and openly and preventing bribery, corruption, fraud or the facilitation of tax evasion.

In line with the laws and regulations to which the Issuer is subject, the Board ensures that a fair, balanced and understandable assessment of the Group’s position and prospects is presented in all financial and business reporting. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and maintains sound risk management and internal control systems. The Board has established formal and transparent arrangements for considering how it should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Group’s auditors.

CAPITALISATION, SOLVENCY, LIQUIDITY AND INDEBTEDNESS

The tables below set out the Issuer’s capitalisation, solvency, indebtedness and liquidity metrics. The Group’s statements of indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the Group’s audited financial information for the year ended 31 December 2020.

1. CAPITALISATION AND SOLVENCY

The Group actively monitors its capital requirements and resources against financial forecasts and plans and undertakes stress testing analysis to subject its solvency ratios to extreme but plausible scenarios. The Group also holds prudent levels of capital buffers based on CRD IV requirements and expected balance sheet growth. The Group engages actively with regulators, industry bodies and advisers to keep abreast of potential changes including Basel 3.1 reforms and provides feedback through any consultation processes. Solvency risk is a function of balance sheet growth, profitability, access to capital markets and regulatory changes. The Group actively monitors all key drivers of solvency risk and takes prompt action to maintain its solvency ratios at acceptable levels. The Board and management also assess solvency when reviewing the Group’s business plans and inorganic growth opportunities. Stresses are applied to lending volumes, capital requirements, liquidity and funding mix, interest margins and credit and operational losses. Stress testing also supports key regulatory submissions such as the Internal Capital Adequacy Assessment Process (“ICAAP”), Internal Liquidity Adequacy Assessment Process and the Recovery Plan. ICAAP stress testing assesses capital resources and requirements over a five-year period.

The table below sets out the Group’s key capital metrics as at 30 June 2021. The Group’s capital position remained exceptionally strong, with fully loaded CET1 and total capital ratios of 18.7 per cent. as at 30 June 2021 (31 December 2020: 18.3 per cent.). The total capital ratio is the same as the CET1 ratio following the insertion of the Issuer as the ultimate holding company, as non-controlling interest securities, subordinated debt and perpetual subordinated bonds issued by OSB no longer qualify as regulatory capital at the Group level. Between 31 December 2020 and 30 June 2021, profitability increased the transitional CET1 ratio (and thus total capital ratio) by 1.6 per cent. This was moderated by loan book growth reducing the transitional CET1 ratio by 0.7 per cent., a fair value uplift on CCFS’s net assets reducing the transitional CET1 ratio by 0.3 per cent. and an expected credit losses reducing the transitional CET1 ratio by 0.2 per cent.. The Group had a leverage ratio of 7.0 per cent. as at 30 June 2021 (31 December 2020: 6.9 per cent.).

OSB GROUP Capital Position 30 June 2021	Amount
Risk Weighted Assets (“RWAs”) (£m)	£8,913.0
Leverage ratio	7.0% ¹
CET1 ratio	18.7% ²
Total capital ratio	18.7%
Minimum capital requirement (inclusive of capital conservation buffer)	11.9% ^{3 4}
Buffer to minimum capital requirement	6.8% ³
Distributable reserves (£m)	£1,291.5 ⁵

¹ The leverage ratio presented is calculated on a CRR basis.

² The CET1 and total capital ratios are calculated without applying the transitional provisions set out in Part Ten of CRD IV. The CET1 ratio after transitional adjustments of 1.2 per cent. is 17.5 per cent. and the total capital ratio after these transitional adjustments is also 17.5 per cent. as at 30 June 2021, with the adjustments relating to a fair value uplift of CCFS’s net assets and COVID-19 transitional adjustments in respect of expected credit losses and other IFRS 9 add backs.

³ The Group’s Pillar 2A requirements have increased by 0.09 per cent. subsequent to 30 June 2021. If the capital requirements applicable as at the date of this Offering Memorandum applied as at 30 June 2021, the minimum capital requirement (inclusive of capital conservation buffer) would have been 12.0 per cent. and the buffer to minimum capital requirement would have been 6.7 per cent.

⁴ The minimum capital requirement exclusive of capital conservation buffer is 9.4 per cent.

⁵ Distributable reserves of OSB Group plc are presented on an unconsolidated basis and have since reduced following the approval of the 2021 interim dividend.

The table below further breaks down the Group's capital requirement according to requirement type, instrument type and by capital resource.

OSB GROUP Capital Position 30 June 2021	Amount
<i>Minimum capital requirement by requirement type</i>	
Pillar 1	8.0%
Pillar 2A	1.4% ¹
Capital conservation buffer	2.5%
Total	11.9%
<i>Minimum capital requirement by instrument type</i>	
CET1	7.8%
AT1	1.8%
Tier 2	2.3%
Total	11.9%

¹ The Pillar 2A requirement of 1.4 per cent. of RWAs includes a static integration add-on of £19.5 million (0.22 per cent. of RWAs at 30 June 2021)

The table below sets out the Group's capitalisation as at 30 June 2021. The information contained in the table has been extracted without material adjustment from the 2021 HY Financial Statements. There has been no material change in the capitalisation of the Group since 30 June 2021.

Shareholders' equity	£m
Share capital	4.5
Share premium	0.1
Retained earnings	3,061.8
Other reserves	(1,351.4)
Shareholders' funds	1,715.0

2. INDEBTEDNESS

The table below sets out the Group's indebtedness as at 30 June 2021. The information contained in the table has been extracted without material adjustment from the 2021 HY Financial Statements. Since 30 June 2021, OSB has, on 7 September 2021, fully redeemed its £22,000,000 perpetual subordinated bonds which has resultantly reduced total indebtedness to £25.8m.

Indebtedness	£m
Subordinated liabilities	10.5
Perpetual subordinated liabilities	37.5
Total Indebtedness	48.0

3. LIQUIDITY AND FUNDING

The Group has a prudent approach to liquidity management through maintaining sufficient liquidity resources to cover cash flow imbalances and fluctuations in funding under both normal and stressed conditions, arising from market-wide and OSB specific events. OSB's and CCFS' liquidity risk appetites have been calibrated to ensure that both banks always operate above the minimum prudential requirements with sufficient contingency for unexpected stresses, whilst actively minimising the risk of holding excessive liquidity which would adversely impact the financial efficiency of the business model.

The Group's funding strategy is focused on a highly stable retail deposit franchise. The Group continues to attract new retail savers and has high retention levels with existing customers. The Group's large number of depositors provides diversification, where a high proportion of balances are covered by the FSCS protection scheme, thus there is no material risk of a retail run.

In addition, the Charter Group Combination allows the Group a wider range of wholesale funding options, including securitisation issuances and use of retained notes from both banks. The Group continuously monitors wholesale funding markets and is experienced in taking proactive management actions where required. The Group has issued a number of securitisations and in July 2021 the Group completed its largest securitisation to date securitising £1.7bn of prime Buy-to-Let mortgage assets originated by OSB under the Canterbury programme. This transaction created £1.4bn of retained AAA rated senior bonds and significantly increased the contingent wholesale funding options available to the Group.

The Group has fully factored in repayment of the Term Funding Scheme ("TFS") into the funding plans of both OSB and CCFS, with planned repayment prior to the contractual date to minimise timing and concentration risk. The Group has a wider range of funding options to manage this process. The Group has a Term Funding Scheme for SME ("TFSME") allowance significantly above its wholesale funding requirements which allows the TFS scheme to be fully refinanced by TFSME.

Both OSB and CCFS operate under the Prudential Regulation Authority's liquidity regime and are managed separately for liquidity risk. Both OSB and CCFS hold their own significant liquidity buffer of liquidity coverage ratio ("LCR") eligible high-quality liquid assets ("HQLA").

As at 30 June 2021, OSB had £945.8m and CCFS had £1,270.1m of HQLA LCR eligible assets. Both OSB and CCFS also held a significant portfolio of unencumbered prepositioned Bank of England level C eligible collateral in the Bank of England Single Collateral Pool. The Group further held £2,633m of liquid assets as at 30 June 2021 (being the sum of loans and advances to credit institutions and investment securities then held) as against £3,148m held at 31 December 2020.

Both OSB and CCFS operate within a target liquidity runway in excess of the minimum LCR regulatory requirement, which is based on internal stress testing. Both OSB and CCFS have a range of contingent liquidity and funding options available for possible stress periods.

As at 30 June 2021, OSB had a liquidity coverage ratio of 178 per cent. and CCFS 156 per cent. and the Group LCR was 171 per cent. all significantly in excess of the regulatory minimum of 100 per cent..

DESCRIPTION OF THE ORDINARY SHARES

1. Share Capital

The Issuer's share capital consists of 448,441,284 ordinary shares of £0.01 each in the capital of the Issuer (the "**Shares**") as at 4 October 2021. As at 31 December 2020, the Shares had a nominal value of £3.04 per Share. Pursuant to a special resolution dated 28 January 2021, the issued share capital of the Issuer was thereafter reduced by cancelling and extinguishing capital to the extent of £3.03 on each fully paid up Share.

2. Memorandum and Articles of Association

The Issuer's articles of association (the "**Articles of Association**") were adopted by a special resolution of the Issuer on 17 November 2020. A summary of the material provisions of the Articles of Association in respect of the Shares is set out below.

3. Objects of the Issuer

The objects of the Issuer are unrestricted.

4. General

There are no limitations imposed by English law or the Articles of Association restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

5. Shares

The Shares rank *pari passu* with each other in all respects. Fully paid Shares confer identical rights in respect of capital, dividends (save where and to the extent that any such Share is issued on terms providing that it shall rank for dividend as from a particular date), voting and otherwise.

6. Voting Rights

For the purposes of determining which persons are entitled to attend or vote at a meeting of the Issuer and how many votes such persons may cast, the Issuer may, pursuant to the Uncertificated Securities Regulations 2001 (as amended) (the "**Regulations**"), specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on a register of members of the Issuer kept pursuant to the Companies Act. Every holder of Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of the Issuer and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every Share held by them.

Unless the Board determines otherwise, no member is entitled to attend or vote at a general meeting in respect of any Share held by them unless all calls or other sums presently payable in respect of that Share have been paid. Restrictions on the right of a member to attend or vote at a general meeting may be imposed on any member if the member fails to comply within the relevant period with a statutory notice issued by the Issuer under the Companies Act requiring disclosure of interests in the Shares or, in

purported compliance with such a notice, makes a statement which is false or inadequate in any material particular.

7. General Meetings

The Issuer must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing, provided that a special resolution authorising this shorter notice period has been passed by the shareholders of the Issuer. Such authority was renewed at the Issuer's most recent annual general meeting held on 27 May 2021. The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. In any such case, the Board will direct that the meeting be held at a specified place, where the chairman of the meeting shall preside, and make arrangements for simultaneous attendance and participation by shareholders and proxies at other locations. The chairman of a general meeting shall take such action or give such directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper conduct of the meeting. Annual general meetings of the Issuer are to be held at such time and in such place as the Board may determine. The Board also has the option to allow shareholders to attend and participate in the business of a general meeting by means of electronic facility.

8. Dividends and other Distributions and Return of Capital

The Issuer may, by ordinary resolution, declare dividends to be paid to holders of Shares, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends as they think fit and may also pay the fixed dividends payable on any Shares half-yearly or otherwise on fixed dates.

The Board may, with the prior authority of an ordinary resolution, offer to any holder of Shares the right to elect to receive assets, in particular paid up shares or debentures of any other company, instead of cash in respect of any dividend specified by the ordinary resolution.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the shareholders as if it were distributed by way of dividend and in the same proportions, and the Board shall apply such sum on the shareholder's behalf either in or towards paying up the amounts unpaid at the relevant time on any Shares in the Issuer held by those shareholders respectively or in paying up in full shares, debentures or other obligations of the Issuer to be allotted and distributed credited as fully paid up to such holders of Shares (or partly in the one way and partly in the other).

All dividends shall be apportioned and paid proportionately to the percentage of the amount paid up on the Shares during any portion(s) of the period in respect of which the dividend is paid. Any dividend or other monies payable in respect of a Share may be paid in such currency as the Board may determine.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend or the date on which it became due for payment may be forfeited and reverted to the Issuer. Subject to the rights attaching to any shares, no dividends or other monies payable on or in respect of a share shall bear interest against the Issuer.

On a return of capital, whether in a winding-up or otherwise, the Shares will rank equally in all respects.

9. Variation of Rights and Alteration of Capital

The rights attached to any class of shares in the Issuer (including the Shares) or any of such rights may (subject to their terms of issue) be abrogated or varied with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles of Association relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any one holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

As a matter of English law, the Issuer may:

- by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger nominal amount, and sub-divide all or any of its shares into shares of smaller amount; and
- by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other statutory reserves in any way.

10. Transfer of Shares

All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instrument must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid up, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in a register of members of the Issuer in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a computer-based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument (a "**relevant system**").

The Board may refuse to register any transfer of certificated shares where the transfer:

- relates to any share which is not a fully paid share;
- relates to more than one class of shares;
- is in favour of more than four persons jointly; and/or
- is not duly stamped or certificated (if required).

The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations.

Subject to applicable law, any class of shares may be held, registered, converted to, transferred or otherwise dealt with, in uncertificated form or certificated form and converted from uncertificated form to certificated form.

11. Disclosure of Holdings Exceeding Certain Percentages

The Disclosure Guidance and Transparency Rules of the FCA require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent and each 1 per cent threshold thereafter up to 100 per cent. Under the Disclosure Guidance and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in shares in the Issuer has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and has failed in relation to any shares (the "**default shares**"), to supply the information requested within the period set out in the notice, then unless the Board otherwise determines, the shareholder is not entitled to be present at or to vote on the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. Unless the Board otherwise determines, if the default shares represent at least 0.25 per cent in nominal value of the issued shares of that class, any dividend shall be withheld by the Issuer without interest, no election may be made for any scrip dividend alternative, and no transfer of any shares held by the shareholder will be registered except in limited circumstances.

12. Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules

Other than as provided by the Companies Act and the Takeover Code of the UK, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Shares.

13. Untraced Members

The Issuer is empowered to sell, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer within three months following the Issuer giving notice of its intention to sell the shares (it being a condition that, before sending such notice to the holder's last known address, the Issuer shall use reasonable efforts to trace the relevant holder or person entitled to the transmission); provided that during the 12-year period at least three dividends have become payable and no such dividend has been claimed.

The Issuer will be obliged to account to the member for the proceeds of the disposal but no interest will be payable to the member in respect of such proceeds or account for any money earned on them.

14. Forfeiture and Lien

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the Board requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Board to that effect (including all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to the Issuer all monies which at the date of forfeiture were presently payable together with interest (not exceeding 15 per cent per annum) without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

A forfeited share becomes the property of the Issuer, and it may be sold, re-allotted, otherwise disposed of or cancelled as the Board may determine.

The Issuer has a first and paramount lien on every share which is not fully paid, to the extent and in the circumstances permitted by the Companies Act.

The Board may sell all and any of the shares subject to any lien as it may determine, where monies have been called or are payable and a demand has been made in respect thereof and has not been complied with. Any share on which the Issuer has a lien may be sold on the terms set out in the Articles of Association. The net proceeds of sale shall first be applied towards payment of the amount in respect of the lien insofar as it is still payable and then on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

15. Winding-Up

On a winding-up of the Issuer, the Shares rank equally in all respects and distributions of the Issuer's assets to holders of Shares will be made in accordance with applicable insolvency laws.

16. Admission to Trading of the Shares

The Shares are listed on the Official List of the FCA and are admitted to trading on the main market of the London Stock Exchange's regulated market for listed securities. The London Stock Exchange is a key element of the financial infrastructure in the UK. It dates back to 1801 and the London Stock Exchange's regulated market is regulated by the FCA.

On 4 October 2021, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £2,931,494.26. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Shares is GB00BLDRH360.

Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The following is a summary of the provisions to be contained in the Trust Deed and in the Global Certificate which will apply to, and in some cases modify the effect of, the Conditions while the Securities are represented by the Global Certificate:

1. EXCHANGE OF THE GLOBAL CERTIFICATE AND REGISTRATION OF TITLE

Registration of title to Securities in a name other than that of the nominee for Euroclear and Clearstream, Luxembourg, Citivic Nominees Limited, (the “**Nominee**”) will be permitted only if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Registrar is available. References herein to “**Accountholders**” are to each person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of Securities (in which regard any certificate or other document issued by that clearing system as to the principal amount of Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes).

Thereupon, the Nominee (acting on the instructions of one or more of the Accountholders) may give notice to the Issuer of its intention to exchange the Global Certificate for definitive Certificates on or after the Exchange Date (as defined below).

On or after the Exchange Date, the Nominee may surrender the Global Certificate to, or to the order of, the Registrar. In exchange for the Global Certificate, the Registrar will deliver, or procure the delivery of, definitive Certificates in minimum principal amounts of £200,000 and integral multiples of £1,000 in excess thereof printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Certificate, the Issuer will procure that it is cancelled and, if the Nominee so requests, returned to the Nominee together with any relevant definitive Certificates.

For these purposes, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 10 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Registrar is located.

2. CANCELLATION

Cancellation of any Securities following their redemption, purchase by the Issuer or any of the Issuer’s subsidiaries or following their Conversion will be effected by reduction in the aggregate principal amount of the Securities in the register of Securityholders, and a corresponding reduction in the principal amount of Securities represented by the Global Certificate will be made accordingly.

3. PAYMENTS

Payments due in respect of Securities represented by the Global Certificate shall be made by the Principal Paying Agent to, or to the order of, the Nominee. A record of each payment made in respect of Securities represented by the Global Certificate will be endorsed on the appropriate part of the schedule to the Global Certificate by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Securities.

Payment by the Principal Paying Agent to or to the order of the Nominee will discharge the obligations of the Issuer in respect of the relevant payment under the Securities. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to or to the order of the Nominee, and each beneficial owner of Securities who is not itself an Accountholder must look solely to the relevant Accountholder through which it holds its Securities for its share of each payment made to such Accountholder.

4. CALCULATION OF INTEREST

For so long as all of the Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the aggregate principal amount of the Securities represented by the Global Certificate, and not per Calculation Amount as provided in Condition 6(c).

5. TRANSFERS

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

6. NOTICES

For so long as all of the Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, notices may be given to the Securityholders by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders and beneficial owners in substitution for notification as required by Condition 14 provided that, for so long as the Securities are listed on the ISM of the London Stock Exchange or on any other stock exchange and the rules of that stock exchange so require, notices will also be given in accordance with any applicable requirements of such stock exchange. Such notice shall be deemed to have been given on the date of delivery of the notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for such communication.

7. ELECTRONIC CONSENT AND WRITTEN RESOLUTION

For so long as the Securities are in the form of a Global Certificate registered in the name of any nominee for one or more of Euroclear and Clearstream, Luxembourg, then, in respect of any resolution proposed by the Issuer or the Trustee:

- (i) where the terms of the proposed resolution have been notified to the Securityholder through the relevant clearing system(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding (“**Electronic Consent**”). Neither the Issuer nor the Trustee shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system(s) with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent

from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and/or the Trustee (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Securityholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes (without limitation) any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Securities. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Securities is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

8. **CONVERSION**

Any Conversion of Securities held in Euroclear or Clearstream, Luxembourg will be effected in accordance with the procedures set out in the Trigger Event Notice referred to in Condition 9(a) and otherwise in accordance with the relevant procedures of Euroclear and Clearstream, Luxembourg. Notwithstanding the provisions of Condition 9(c), if the Securities are represented by the Global Certificate and held through Euroclear or Clearstream, Luxembourg, the Securityholder shall give a notice to the Settlement Shares Depository in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg.

9. **SUSPENSION**

Any Conversion Shares Offer Election Notice shall provide details of the Suspension Date (if not previously specified in the Trigger Event Notice) and the notice requirements contained in Condition 9(c) shall be amended accordingly (including that notice shall be given, if required, of any amendment to Long-Stop Date previously specified in the Trigger Event Notice).

The Issuer may specify a Suspension Date in the Trigger Event Notice and then subsequently amend that date in the Conversion Shares Offer Election Notice (and any notice of termination of the Conversion Shares Offer).

“**Suspension Date**” means a date specified by the Issuer in the Trigger Event Notice or the Conversion Shares Offer Election Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which the Clearing Systems shall suspend all clearance and settlement of transactions in the Securities in accordance with its rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of the applicable Clearing System(s). Any Conversion Notice delivered prior to the day following the Suspension Date shall be void.

Delivery of the Alternative Consideration, if applicable, following a Conversion of the Securities shall be made by the Conversion Shares Depository in accordance with the applicable Clearing System(s) practices

from time to time. The Conversion Notice must be given in accordance with the standard procedures of the applicable Clearing System(s) (which may include, without limitation, delivery of the notice to the Conversion Shares Depository by electronic means) and in a form acceptable to the applicable Clearing System(s) and the Conversion Shares Depository.

10. PRESCRIPTION

Claims against the Issuer in respect of any amounts payable in respect of the Securities represented by the Global Certificate will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the due date.

11. RECORD DATE

For so long as all Securities are held in Euroclear and Clearstream, Luxembourg, the “**record date**” shall be determined in accordance with Condition 7(a) except that the words "fifteenth day" shall be deemed to be replaced with "ICSD Business Day" (where “**ICSD Business Day**” means a day on which Euroclear and Clearstream, Luxembourg are open for business).

12. EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

References in the Global Certificate and this summary to Euroclear and Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved for the purposes of the Securities by the Trustee and the Registrar.

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Securities). Any Securityholder who is in doubt as to their own tax position should consult their professional advisers. In particular, each Securityholder should be aware that the tax legislation of any jurisdiction where they are resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Securities including in respect of any income received from Securities.

United Kingdom

The comments in this part are based on the Issuer's understanding of current United Kingdom tax law as applied in England and Wales and the published practice of HM Revenue & Customs ("HMRC") (which may not be binding on HMRC), in each case as of the latest practicable date before the date of this Offering Memorandum, relating only to the United Kingdom withholding tax treatment of payments of interest in respect of the Securities. They do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of the Securities. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply.

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

Interest on the Securities

While the Securities are, and continue to be, "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007 ("ITA 2007"), payments of interest on the Securities by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The Securities will constitute "quoted Eurobonds" provided they carry a right to interest and are admitted to trading on a multilateral trading facility operated by a regulated recognised stock exchange within the meaning of Section 987 ITA 2007. The ISM is a multilateral trading facility operated by the London Stock Exchange, which is a regulated recognised stock exchange for these purposes.

In all other cases, interest on the Securities which has a United Kingdom source will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), unless: (i) another relief or exemption applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

The U.S. Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, 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 Securities, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Securityholders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Joint Lead Managers have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

Each Joint Lead Manager represents and agrees as follows:

Neither the Securities nor the Ordinary Shares have been and they will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to any other exemption from the registration requirements of the Securities Act. Each Joint Lead Manager represents, warrants and agrees that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager represents and agrees that 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 Securities or the Ordinary Shares to be issued upon conversion of the Securities. Terms used above have the meaning given to them by Regulation S.

United Kingdom

Each Joint Lead Manager represents and agrees as follows:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

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

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Securities to any retail investor in the United Kingdom. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

General

Each Joint Lead Manager acknowledges that no action has been taken by the Issuer or any Joint Lead Managers that would, or is intended to, permit a public offer of the Securities in any country or jurisdiction where any such action for that purpose is required. The Joint Lead Managers agree that they will not, directly or indirectly, offer or sell any Securities or distribute or publish any offering circular, offering memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

Each Joint Lead Manager agrees that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

GENERAL INFORMATION

Authorisation

1. The issue of the Securities was authorised by resolutions of the Board of Directors of the Issuer on 8 June 2021 and 7 September 2021 respectively and a resolution of a committee of the Board of Directors on 16 September 2021. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities.
2. Application will be made to the London Stock Exchange for the Securities to be admitted to the ISM. The admission to trading in respect of the Securities is expected to be granted on or around 7 October 2021.
3. Upon the occurrence of the Trigger Event, application will be made to the FCA for the admission to the Official List, and to the London Stock Exchange for the admission to trading on the Regulated Market of the London Stock Exchange, of the Ordinary Shares to be issued upon Conversion of the Securities.

Legal Proceedings

4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Memorandum, significant effects on its ability to meet its obligations to Securityholders.

Significant/Material Change

5. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2021, being the date of the Issuer's last published consolidated financial information (as set out in the 2021 HY Financial Statements). There has been no material adverse change in the prospects of the Issuer since 31 December 2020, the date for which the Issuer last published audited financial statements.

Auditors

6. The financial statements of the Issuer for the financial period ended 31 December 2020 and the financial statements of OSB for the financial period ended 31 December 2019 have been audited in accordance with International Standards on Auditing (UK) and applicable law and have been reported on without qualification by Deloitte LLP.

Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

Documents on Display

7. The website of the Issuer is <https://www.osb.co.uk/>. No information on such website forms part of this Offering Memorandum, except where that information has been incorporated by reference into this Offering Memorandum.
8. For so long as the Securities are admitted to trading on the ISM, copies of the following documents will be available on the Issuer's website at <https://www.osb.co.uk/investors/overview/>, save where an alternative location is stated below:
 - (a) the Trust Deed (which contains the form of the Global Certificate and the Certificates);

- (b) the Agency Agreement;
- (c) the Conversion Calculation Agency Agreement;
- (d) the OSB Financial Statements;
- (e) this Offering Memorandum (including any further offering memorandum or supplementary offering memorandum relating to the Securities); and
- (f) the Memorandum and Articles of Association of the Issuer (accessible at: <https://find-and-update.company-information.service.gov.uk/company/11976839/filing-history>).

Clearing of the Securities

- 9. The Securities have been accepted for clearance through Clearstream, Luxembourg and Euroclear.
- 10. The Common Code for the Securities is 239140807.
- 11. The ISIN for the Securities is XS2391408072.
- 12. The FISN for the Securities is OSB GROUP PLC/EUR NT PERP SUB.
- 13. 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.

Joint Lead Managers Transacting with the Issuer

- 14. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers 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 Securities. Any such positions could adversely affect future trading prices of the Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

OSB GROUP PLC
OSB House Quayside
Chatham Maritime
Chatham
Kent ME4 4QZ
United Kingdom

STRUCTURING ADVISER

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

JOINT LEAD MANAGERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London, E14 4BB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

LEGAL ADVISERS

To the Issuer as to English Law

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom

To the Joint Lead Managers as to English Law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Trustee as to English Law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

**PRINCIPAL PAYING AGENT, CONVERSION AGENT
AND REGISTRAR**

Citibank N.A., London Branch
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

CONVERSION CALCULATION AGENT

Conv-Ex Advisors Limited
30 Crown Place
London EC2A 4EB
United Kingdom

AUDITOR OF THE ISSUER

Deloitte LLP
1 New Street Square
London EC4A 3HQ