Santander UK Group Holdings plc

(*Incorporated in England and Wales with limited liability, Registered Number 08700698*)

£400,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities

Issue price: 100 per cent.

The £400,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Securities**") are issued by Santander UK Group Holdings plc (the "**Issuer**") and constituted by a trust deed dated 3 May 2024 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Securities*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly)). References herein to the "**Group**" shall mean the Issuer and its subsidiaries from time to time.

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and Markets Act 2000 (as amended), (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 as amended or superseded (the "**EU Prospectus Regulation**") or (iii) a prospectus for the purposes of Regulation (EU) 2017/1129 and any regulatory or implementing technical standards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 United Kingdom ("**UK**") by virtue of 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) (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is not a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (the "**EU MiFID II**"). **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 ("**Distributions**") for the period from, and including 3 May 2024 (the "**Issue Date**") to, but excluding, 24 September 2029 (the "**First Reset Date**") at 8.750 per cent. per annum (the "**Initial Distribution Rate**"). The Distribution 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 Distribution Rate shall be the aggregate of 4.849 per cent. per annum and the Mid-Swap Rate for the relevant Reset Period (as defined herein). Subject to cancellation (in whole or in part) as provided herein, interest on the Securities will be payable quarterly in arrear (with a short first Distribution Period) on 24 March, 24 June, 24 September and 24 December in each year (each a "**Distribution Payment Date**") commencing on 24 June 2024.

The Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount (as defined herein) otherwise scheduled to be paid on any Distribution Payment Date. The Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that such Distribution Amount together with any Additional Amounts (as defined herein) payable with respect thereto, when aggregated with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items (as defined herein). The cancellation of any Distribution Amount shall not constitute a default for any purpose on the part of the Issuer and Distribution Amounts which are cancelled do not become due and are non-cumulative. Subject as provided herein, all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time for payment and immediately following payment.

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 to the Issuer having obtained Regulatory Approval (as defined herein) and to compliance with the Regulatory Preconditions (as defined herein), the Securities may be redeemed at the option of the Issuer (i) on any day falling in the period commencing on (and including) 24 June 2029 and ending on (and including) the First Reset Date or on any Distribution Payment Date subsequent to the First Reset Date, or (ii) at any time upon the occurrence of certain specified events relating to taxation or a Regulatory Capital Event (as defined herein), in each case, at their principal amount together with any unpaid Distributions (but excluding any Distributions which have been cancelled in accordance with the Conditions).

The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions cancelled if a Loss Absorption Event (as defined herein) occurs. The Securities will also be subject to write-down and conversion powers exercisable by the UK resolution authorities under, and in the circumstances set out in, the Banking Act 2009, as amended.

The Securities will be issued in the form of a global security in registered form. The global security will be deposited with a common depositary 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 depositary, on the Issue Date. Beneficial interests in the global security will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Interests in the global security will be exchangeable for the relevant definitive securities only in certain limited circumstances. See "*Overview of the Securities while in Global Form*". The denominations of the Securities shall be £200,000 and integral multiples of £1,000 in excess thereof.

An investment in the Securities involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Memorandum.

Pursuant to the United Kingdom ("**UK**") FCA Conduct 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.

The Securities have not been and will not be registered under the United States ("**U.S.**") Securities Act of 1933, as amended (the "**Securities Act**") or the state securities laws of any state of the United States. The Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

The Securities have been rate Ba1 (hyb) by Moody's Investors Service Ltd ("**Moody's**"), BBB- by Fitch Ratings Ltd. ("**Fitch**") and BB- by S&P Global Ratings UK Limited ("**S&P**"). Each of Moody's, Fitch and S&P are 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**"). None of Moody's, S&P or Fitch is established in the European Union and they have not applied for registration under Regulation (EC) No. 1060 (as amended) (the "**CRA Regulation**"). The ratings issued by Moody's, Fitch and S&P have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited respectively in accordance with the CRA Regulation. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such, each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and 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.esman.europa.ue/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Securities are not savings accounts, deposits or other obligations of a bank and are not protected deposits for the purposes of the FSCS or insured by the FDIC or any other governmental agency or instrumentality.

Offering Memorandum dated 22 May 2024

IMPORTANT NOTICES

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

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Offering Memorandum in connection with the issue or sale of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Trustee. Neither the delivery of this Offering Memorandum 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 Trustee has not separately verified the information contained in this Offering Memorandum. The Trustee does not make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Securities. The Trustee does not accept any liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Securities or their distribution. Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Securities is intended to constitute, and should not be considered as, a recommendation by the Issuer or the Trustee that any recipient of this Offering Memorandum or any other information supplied in connection with the offering of the Securities should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of Securities should be based upon such investigation as it deems necessary. The Trustee does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Securities of any information coming to their attention.

Neither the Trustee nor any Agent (as defined in the Conditions) shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with the cancellation of the Securities or write-down of any amounts or claims in respect thereof and neither the Trustee nor the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same.

In the ordinary course of business, each of the Managers has engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither this Offering Memorandum nor any other information provided by the Issuer in connection with the offering of the Securities constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Trustee or any of them to subscribe for, or purchase, any of the Securities. This

Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer and the Trustee do not represent that this Offering Memorandum may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Trustee which is intended to permit a public offering of the Securities or the distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Securities.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS AND TO CONNECTED PERSONS OF THE ISSUER; DISCLOSURE OF INVESTOR INFORMATION

1. The Securities 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) By purchasing, or making or accepting an offer to purchase any Securities (or a beneficial interest in such Securities) from the Issuer 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.

(c) In selling or offering the Securities or making or approving communications relating to the Securities each prospective investor 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.

EU PRIIPs Regulation / Prohibition of Sales to 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: (i) a retail client, as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) 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) No 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 Regulation / Prohibition of Sales to 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. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of the domestic law of the UK 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 UK PRIIPs Regulation. In addition to the foregoing, pursuant to COBS, 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 (as defined in COBS 3.4) in the UK.

EU MiFID product governance / Professional investors and ECPs only target market – Solely for the purposes of each 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 eligible counterparties and professional clients only, each as defined in EU MiFID II; 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 EU MiFID II 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.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA") AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018") – In connection with Section 309B of the SFA and the CMP Regulations 2018 the Issuer has determined, and hereby notifies all persons (including all relevant persons as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Securities have not been and will not be registered under the Securities Act or the state securities laws of any state of the United States. The Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S).

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, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Each prospective investor and/or initial Securityholder acknowledges that the Issuer will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth in the foregoing paragraphs and is entitled to rely upon such representations, warranties, agreements and undertakings.

SUITABILITY OF INVESTMENT

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

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

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

(iii) understands thoroughly the terms of the Securities and is familiar with the behaviour of financial markets;

(iv) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where pounds sterling (the currency for principal and Distribution payments) is different from the potential investor's currency, and the possibility that interest may not be paid on the Securities and/or that the entire principal amount of the Securities could be lost, including following the exercise of regulatory capital write-down and conversion powers and/or bail-in resolution powers (as detailed further herein);

(v) understand thoroughly the terms of the Securities, including without limitation the terms relating to write down of the principal amount and the cancellation of interest, the determination of satisfaction of the Solvency Condition (as defined herein), and be familiar with the behaviour of any relevant financial markets; and

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Securities are legal investments for it; (2) the Securities can be used as collateral for various types of borrowing; and (3) 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.

The Securities are complex financial instruments. Investors do not generally purchase complex financial instruments that bear a high degree of risk as standalone investments. Such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor’s overall investment portfolio.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, unless otherwise specified, all references to "**dollars**", "**U.S. dollars**", "**U.S.$**", "**¢**" or "**cents**" are to the lawful currency of the United States, "**euros**" or "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and "**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" are to the lawful currency of the UK.

In this Offering Memorandum references to "**Moody's**" are to Moody's Investors Service Ltd.; references to "**Fitch**" are to Fitch Ratings Ltd.; and references to "**S&P**" are to S&P Global Ratings UK Limited.

The Issuer maintains its financial books and records and prepares its financial statements in sterling in accordance with UK adopted International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**"), including interpretations issued by the IFRS Interpretations Committee ("**IFRIC**") of the IASB that, under UK adopted regulations, are effective and available for early adoption at the Issuer's reporting date. The Issuer has complied with IFRS as adopted by the UK and as applied in accordance with the provisions of the Companies Act 2006.

In this Offering Memorandum, references to websites or uniform resource locators ("**URLs**") are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Offering Memorandum.

Forward-Looking Statements

This Offering Memorandum and the documents incorporated by reference herein include forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- projections or expectations of revenues, costs, profit (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
- statements of plans, objectives or goals or those of the Group's management, including those related to products or services;
- statements of future economic performance, including in particular any such statements included in the Issuer's most recently published Annual Report; and
- statements of assumptions underlying such statements.

Words such as 'believes', 'anticipates', 'expects', 'intends', 'aims', 'plans', 'targets' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements are not statements of historical or current facts; they cannot be objectively verified, are speculative and involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. The Issuer cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Issuer or on the Issuer's behalf. Some of these factors, which could affect the Issuer's business, financial condition and/or results of operations, are considered in detail in "*Risk Factors*" in this Offering Memorandum.

Undue reliance should not be placed on forward-looking statements when making decisions with respect to the Issuer and/or the Securities. Investors and others should take into account the inherent risks and uncertainties of forward-looking statements and should carefully consider the foregoing non-exhaustive list of important factors. Forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time.

Except as required by the ISM or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Offering Memorandum to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Alternative Performance Measures

Certain alternative performance measures ("**APMs**") are included or referred to in this Offering Memorandum (including in the documents incorporated by reference). APMs are non-IFRS measures used to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuer considers that these APMs provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such APM's components and calculation method can be found on pages 168 to 169 of the Annual Report of the Issuer for the year ended 31 December 2023, which is incorporated by reference in this Offering Memorandum.

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Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities.

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 the "Terms and Conditions of the Securities" below or elsewhere in this Offering Memorandum have the same meanings in this section.

Risks Relating to the Business of the Issuer and the Group

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities.

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 the "Terms and Conditions of the Securities" below or elsewhere in this Offering Memorandum have the same meanings in this section.

Risks relating to the business of the Issuer and the Group

Geopolitical and macro-economic risks

Regional conflicts and wars have had and could continue to have a material adverse effect on the Group's operations and financial position

In February 2022, Russia launched a large-scale military action against Ukraine and in October 2023, conflict escalated in the Middle East between Israel and Hamas, which threatens to spread to other Middle Eastern countries. The war in Ukraine and the escalation of the armed conflict between Israel and Hamas have caused ongoing humanitarian crises in Europe and the Middle East. The war in Ukraine has also significantly impacted global commodity and financial markets, leading to supply chain disruptions and increases in the prices of energy, oil, gas and raw materials. This has led to heightened inflation, which has created further challenges for monetary authorities and the Group's customers. The armed conflict between Israel and Hamas, especially if it spreads to other Middle Eastern countries, and/ or other future regional conflicts and wars that have a global impact, may also further adversely impact global commodity and financial markets.

The Group does not have a presence in Russia, Ukraine or the Middle East and the Group's direct exposure to markets and assets in Russia, Ukraine and the Middle East is negligible. However, the effect of these regional wars on global commodity and financial markets and general macroeconomic conditions remains uncertain, and there is a risk that the economic effects of these regional wars will continue to affect the global economic outlook, which would adversely affect the Group's businesses, results of operations and financial position.

The continuation or escalation of the conflicts between Russia and Ukraine or between Israel and Hamas including the extension of the conflicts to other countries in the regions, and/ or the emergence of other future regional conflicts and wars that have a global impact, could lead to further increases in energy prices (particularly gas prices, if supplies to Europe remain interrupted) and heightened inflationary pressures. This could lead to further increases in interest rates, impact financial market stability in the Eurozone and worsen the current cost of living crisis the Group's customers are facing. Such developments would negatively affect the payment capacity of some of the Group's customers, whose likely need for increased support will place additional pressures on the staff in its financial support and call centres.

In response to the Russian military action against Ukraine, the United States ("**U.S.**"), the European Union ("**EU**"), the United Kingdom ("**UK**") and other UN member states and jurisdictions ("**UN**"), have imposed, and may impose, additional severe financial and economic sanctions and export controls against Russia, Belarus, and certain regions in Ukraine. Such sanctions have included freezing/blocking assets, targeting major Russian banks, the Russian Central Bank, and certain Russian companies and individuals, imposing import and export controls against Russia and Russian interests, as well as disconnecting certain Russian banks from the SWIFT system (Society for Worldwide Interbank Financial Telecommunication). In addition, the sanctions imposed also include a ban on trading in Russian sovereign debt and other securities. Russia has implemented certain countermeasures in response. The scale of sanctions is unprecedented, complex and rapidly evolving, and poses continuously increasing operational and compliance risks to the Group. The Group's corporate framework and policies are designed to ensure compliance with applicable laws, regulations and economic sanctions, including U.S., UK, EU and UN economic sanctions, in the countries in which it operates. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, have resulted in an increasingly fragmented macroeconomic, trade and regulatory environment. Currently, the Group does not have any loans, credits or contingencies affected by the recent sanctions imposed on Russia. However, the Group cannot predict whether any of the countries in which it operates will enact additional economic sanctions or trade restrictions in response to the Russian military action against Ukraine or the impact such additional sanctions or restrictions may have on it which may include increased costs and regulatory burdens associated with compliance with the evolving and complex sanctions landscape. There is also an increasing risk that the U.S., the UK, the EU, the UN and other jurisdictions will begin imposing restrictions on countries, such as China or Turkey, who are viewed as supportive of Russian military action or who are aiding circumvention of existing sanctions on Russia. Compliance with any such restrictions imposed on China, Turkey or other jurisdictions would pose a regulatory and cost burden and would greatly increase the Group's exposure to sanctions risks. The heightened regulatory, political and media focus on the Group's response to this crisis, the Israel-Hamas armed conflict or other future regional conflicts and wars that have a global impact may also increase the Group's exposure to conduct and reputational risks.

Furthermore, the disruption and volatility in the global financial markets caused by the war in Ukraine and further intensified by the Israel-Hamas armed conflict and the potential of further tightening of financial market conditions due to the regional wars or other future regional conflicts and wars have had and could continue to have a material adverse effect on the Group's ability to access funding, capital and liquidity on financial terms acceptable to it and result in an increase in the Group's cost of funding due to widening of credit spreads. This could have a material adverse effect on the Group's operations, financial condition and prospects.

In addition, the risk of cyberattacks on companies and institutions could increase as a result of geopolitical turmoil. For example, the Group has faced a heightened risk of cyberattacks as a result of Russia's military action against Ukraine, and the Israel-Hamas armed conflict and/ or other future regional conflicts and wars that have a global impact serve to further heighten such risk. Such attacks could adversely affect the Group's ability to maintain or enhance its cybersecurity and data protection measures. While the Group continues to see increasing ransomware attacks across sectors driven by supply chain tool compromises, and expect this trend to continue, it has not experienced any notable information or cybersecurity incidents as a result of these regional wars. The Group continues to actively monitor the situations in Ukraine, the Middle East and globally and assess their potential impacts on its business.

The Group's operations, financial condition and prospects are materially impacted by economic conditions in the UK and disruptions in the global economy and global financial markets

The Group's business activities are concentrated in the UK, where it offers a range of banking and financial products and services to UK retail and corporate customers. As a consequence, the Group's operations, financial condition and prospects are significantly affected by general economic conditions in the UK.

Although the UK economy has recovered to pre-pandemic growth levels, the UK's economic growth in 2023 stagnated. As such, there remains a risk that the UK economy will fall into a period of economic contraction as the effects of higher interest rates, Brexit (as defined below), and higher and more persistent inflation continue to affect supply chains and business and household confidence and finances. Interest rates have risen sharply since 2022 and although it is predicted that the peak has been reached there remains a risk that further increases will be needed particularly if rising energy inflation returns. This would put further pressure on household finances for some of the Group's customers due to a sharp rise of the costs for refinancing their mortgage and significantly higher costs of borrowing overall. Higher mortgage rates could dampen demand in the housing market, leading to further drops in new business or steeper falls in house prices, reducing the value of the collateral the Group holds against mortgages. These risks could create further downward pressure on the economy; for example: a large surge in business failures with knock-on effects for the labour market resulting in high rates of unemployment that affect the ability of customers to pay their debts, which could also contribute to negative multiplier effects through delayed investment and spending; and a stronger push towards protectionism as governments look to protect home industries. This could also lead to a longer-term turn in the credit cycle with a broader contraction of credit as lenders attempt to protect themselves from increased losses.

In particular, the Group faces, among others, the following risks in this period of economic uncertainty (including the effect of those risks on gross domestic product, inflation, unemployment and house prices):

- reduced demand for the Group's products and services – particularly the potential for reduced mortgage market volumes;

- inability of the Group's borrowers to make payments on their loans in full or on time;

- the degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the IFRS 9 model and process to determine the sufficiency of the Group's loan loss allowances;

- lower house or other asset prices, reducing the value of collateral the Group holds on mortgage and other lending;

- higher and more persistent inflation, reducing the Group's profitability and increasing the cost of living for the Group's borrowers; and

- the value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.

The Group is also exposed to:

- broader geopolitical issues, which remain heightened with the potential for a further pushback against globalism. Further moves towards unilateralism may also cause increased tension and/or hostilities between nations, which could negatively impact the global economy and financial markets. In addition, Russia's invasion of Ukraine has impacted the UK economy, in particular by pushing up energy and oil prices and increasing inflation further, and the armed conflict between Israel and Hamas, including the risk of the conflict spreading more broadly in the region, could escalate geopolitical tensions, which may continue to adversely affect the global economy and financial markets;

- further waves or new strains of COVID-19 or unforeseen new diseases or infections, which could cause social disruption and a material economic downturn in the UK and globally;

- climate change risks which could result in material damage to the Group's customers' property or businesses or have a material impact on the Group's customers' business models under a transition to a low carbon economy; and

- social unrest as a result of severe economic disruption.

Adverse changes in the credit quality of the Group's borrowers or counterparties or a general deterioration in UK economic conditions could reduce the recoverability and value of the Group's assets and require an increase in its level of provisions for expected credit losses. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Material increases in the Group's provision for loan losses and write-off or charge-offs have had and could again have a material adverse effect on the Group's operations, financial condition and prospects. Any significant reduction in the demand for the Group's products and services, a sustained downturn in the UK economy or changes in central bank interest rates could have a material adverse effect on the Group's operations, financial condition and prospects.

Inflation peaked in October 2022 and since then the growth rate has continually fallen and should be near the target level in 2024. Monetary policy in the UK remains tight and whilst peak interest rates may have been reached, interest rates are likely to remain high throughout 2024.

Economic instability and downturns beyond the UK may also impact the UK economy as a whole. Europe's manufacturing base is heavily dependent upon natural gas, and restriction in supply and significantly increased costs are expected to have a material adverse impact on the Eurozone economy, which could lead to disruption and volatility in the global financial markets, as a result of debt sustainability concerns. This could have a material adverse impact on the Group, including the Group's ability to access capital and liquidity on financial terms acceptable to the Group, which could have a material adverse effect on the Group's operations, financial condition and prospects.

A recessionary economic environment could also lead to rating downgrades affecting the UK, the Group or its customers, investments and/or instruments, causing capital impacts due to increased risk weighted assets, an increase in the volatility of wholesale markets and the cost of funding.

The UK's withdrawal from the European Union ("Brexit") has had and could continue to have a material adverse effect on the Group's operations, financial condition and prospects

On 31 January 2020, the UK ceased to be a member of the EU and a limited trade deal was agreed between the UK and the EU with the relevant new regulations coming into force on 1 January 2021.

The trade deal, however, does not include agreements on certain areas such as financial services and data adequacy. The European Commission (the "Commission") will decide in 2024 whether to extend the data adequacy decision(s) for the UK for a further period up to a maximum of another four years. If the Commission does not extend the decisions, then the decisions will expire on 27 June 2025. As a result, the Group has, and will continue to have, a limited ability to provide cross-border services to EU customers and to trade with EU counterparties.

Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Act 2023 ("**FSMA 2023**") received royal assent on 29 June 2023. The FSMA 2023 establishes a framework for HM Treasury ("**HMT**") to revoke EU-derived financial services legislation and for it to be replaced by the FCA and the Prudential Regulation Authority ("**PRA**") rules, with the intention of delivering a "comprehensive FSMA model of regulation" under which the regulators have extensive rule-making powers. This process of revoking and replacing retained EU law may result in material changes to the UK regulatory regime and the impact of these reforms on the Group is difficult to predict.

The wider and continuing impact of Brexit on financial markets through market fragmentation, reduced access to finance and funding, and a lack of access to certain financial market infrastructure, may affect the Group's operations, financial condition and prospects and those of its customers.

Residual risks remain around the impact on the UK's economy. Brexit has contributed to global COVID-19 pandemic-related supply and labour market constraints and reduced economic output and exports as businesses attempt to adapt to the new cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers and suppliers.

While the long-term effects of the UK's withdrawal from the EU are difficult to assess, this has also been hampered by overlay of and development of economic risks from the COVID-19 pandemic, the Russian invasion of Ukraine and the armed conflict between Israel and Hamas. Further, there is ongoing political and economic uncertainty, such as increased friction with the EU and EU countries, which could negatively affect the Group's customers and counterparties and have a material adverse effect on the Group's operations, financial condition and prospects.

The Group faces risks from the impact of climate change, which could materially affect the Group's business operations, reputation, clients and customers, as well as the creditworthiness of its counterparties

Climate risk is a risk that manifests through other principal risks, primarily enterprise risk, credit risk and operational risk. Climate change could expose the Group to financial risk either through its physical (e.g., climate or weather-related events) or transitional (e.g., changes in climate policy or in the regulation of financial institutions and corporates with respect to climate change risks) effects. Transition risks could be further accelerated by the occurrence of changes in the physical climate.

Physical risks from climate change arise from climate and weather-related events, such as heatwaves, droughts, floods, landslides, storms, sea level rise, coastal erosion and subsidence. These risks could impact the Group's customers in the form of lower revenues due to transport problems, supply chain disruption and other impacts that strain production and lower revenues and higher costs for its customers owing to workers' health, safety, absenteeism and other workforce-related problems. These risks could also lead to damage to the Group's customers' property or operations, which could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Group's portfolios. In addition, the Group's premises and resilience may also suffer physical damage due to weather-related events leading to increased costs for the Group.

Transition risks arise from the process of adjustment towards a low-carbon economy. The Group may face significant and rapid developments in stakeholder expectations, policy, law and regulation which could impact the lending activities the Group undertakes, as well as the risks associated with its lending portfolios, and the value of the Group's financial assets. Reputation risk could arise from a failure to meet changing societal, investor or regulatory demands. In particular, the last year has seen an increase in upcoming climate-related disclosure requirements that the Group and Banco Santander, S.A. (as the ultimate parent of the Group) will need to comply with (for example, the IFRS Sustainability Disclosure Standards as developed by the International Sustainability Standards Board, the European Banking Authority's ("**EBA**") Environmental, Social, and Governance Pillar 3 disclosure rules and the EU Corporate Sustainability Reporting Directive). In addition, on 6 March 2024, the SEC adopted final rules regarding the enhancement and standardisation of mandatory climate-related disclosures for investors, which will apply to the Group beginning with its annual report for the year ended 31 December 2027, provided that the rules, which are subject to several legal challenges in U.S. courts, become effective as adopted. See also the risk factor below entitled "*The Group is subject to substantial and evolving regulation and governmental oversight – Climate Change*".

Banco Santander, S.A. is a founding member of the UN-convened Net Zero Banking Alliance committing the Issuer to set and disclose decarbonisation targets for most greenhouse gas intensive sectors and to becoming a net zero bank by 2050. As such, the Issuer is implementing and reporting at a group level (including Santander UK plc ("**Santander UK**")) against the Taskforce on Climate-related Financial Disclosures (the "**TCFD**") recommendations and has disclosed targets to manage climate-related risks and opportunities. The Group continues to enhance its disclosures to ensure they become fully aligned with the TCFD recommendations. In order to fulfil these ambitions and reach the relevant targets or any other climate-related ambitions or targets the Group may commit to in the future, the Group continues to embed climate considerations into its strategy, business model, the products and services it provides to customers and its financial and non-financial risk management processes (including processes to measure and manage the various financial and non-financial risks the Group faces as a result of climate change). Failure to adequately embed risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or failure to adapt the Group's strategy and business model to the changing regulatory requirements and market expectations on a timely basis may have a material and adverse impact on the Group's level of business growth, competitiveness, profitability, capital requirements, cost of funding, and financial condition. Achieving the Group's climate-related ambitions and targets will also depend on a number of factors outside its control, including (among other things) availability of data to measure and assess the climate impact on the Group's customers, advancements of low-carbon transition technologies and public policies to support the energy transition in the markets where the Group operates. The Group continues to assess this as part of its transition planning process. If these external factors and other changes do not occur, or do not occur on a timely basis, the Group may fail to achieve its climate-related ambitions and targets and this could have a material adverse effect on the Group's business growth, competitiveness, profitability, financial condition and reputation.

Business model risks

The Group is exposed to competition from other financial institutions, including new entrants into the financial services sector

The markets for UK financial services are very competitive and the Group has seen strong competition from banks, building societies and other established financial service providers. In addition, the Group faces competition from a number of new entrants, non-banks and other providers, including technology companies and large retail companies with strong brand recognition, particularly in payments.

The UK government and regulators are actively supporting the emergence of new entrants into the UK financial services market. The internet and mobile technologies are also changing customer behaviour and the competitive environment. There has been a steep rise in customer use of mobile banking in recent years and the COVID-19 pandemic accelerated the strong trends towards customer digital adoption, commercial and customer uptake of Open Banking which is a data sharing initiative making certain customer account balance and transaction data available to third parties through use of application programming interfaces, and regulatory and industry initiatives to develop commercial variable recurring payments, Open Finance which extends the Open Banking ecosystem to enable data sharing related to additional financial services products and services and Smart Data which will establish data sharing initiatives in various sectors outside of financial services, are likely to significantly change the technological and competitive landscape.

The Group is investing in a multi-year transformation programme, including digitalisation of channels and services and automation of physical channels, to both meet customer preferences and protect its competitive position. There can be no assurance that the transformation programme will deliver the benefits sought from it.

Management expects such competition to continue or intensify as a result of customer behaviour and trends, technological changes, competitor behaviour, the growth in digital banking, new lending models and changes in regulation including the expansion of Open Banking. As a result of any restructuring or evolution in the market, there may emerge one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market, limiting the Group's ability to increase its customer base and expand its operations, increasing competition for investment opportunities and potentially reducing the Group's market share.

Any of these competition-related factors or a combination thereof could result in a significant reduction in the profit of the Group. The Group gives consideration to the competitive position in its management actions, such as pricing, product decisions and the Group's business model. Increasing competition could mean that the Group increases rates offered on deposits or lowers the rates it charges on loans, or changes its cost base, any of which could have a material adverse effect on its operations, financial condition and prospects.

The rising rate environment and cost of living crisis may result in competitors reacting quite differently in relation to, amongst other factors, loan pricing, availability, deposit pricing and investment decisions. This has already had, and will continue to have, an impact on the competitive environment and future decisions of the Group.

The Group's ability to maintain its competitive position depends, in part, on the success of new products and services it offers its customers and its ability to continue offering products and services from third parties

The success of the Group's operations and its profitability depends, in part, on the success of new products and services it offers to customers and the way in which it offers and provides its products and services. The increasing availability of a wide range of digital or online products and services for customers requires banks like the Group to enhance their offerings in order to retain and attract customers. However, the Group cannot guarantee that its products and services or the way in which it offers or provides its products and services will continue to meet the needs or preferences of the Group's customers which may change over time. The Group may not take appropriate action to change or withdraw products when they become obsolete, outdated or unattractive, and the Group may not be able to develop new products that meet its customers' changing needs in a timely manner. As the Group expands the range of its products and services, some of which may be at an early stage of development in the UK market, it will be exposed to known, new and potentially increasingly complex risks, including conduct risk, and development expenses. The Group's employees and risk management systems, as well as its experience and that of its partners, may not be sufficient or adequate to enable it to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect its operating results.

Any or all of the above factors, individually or collectively, could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's loan portfolio is subject to risk of prepayment

The Group's loan portfolio is subject to prepayment risk resulting from the ability of a borrower or issuer to prepay a debt obligation prior to maturity.

As a result the Group could be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income and there is a risk that the Group is not able to accurately forecast amortisation schedules for these purposes which may affect its profitability. Prepayment risk also has a significant adverse impact on credit card and mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch with the Group's funding obligations and reinvestment at lower yields. The risk of prepayment and its impact on the Group's ability to accurately forecast amortisation schedules is inherent in the Group's commercial activity and an increase in prepayments or a failure to accurately forecast amortisation schedules could have a material adverse effect on the Group's operations, financial condition and prospects.

Damage to the Group's reputation could cause harm to its business prospects

Maintaining a positive reputation is critical to attracting and retaining customers, investors and employees and conducting business transactions with counterparties. Damage to the Group's reputation could materially and adversely affect the Group's perception among current and potential clients, investors, vendors, partners, regulators and other third parties, which in turn could have a material adverse effect on the Group's operating results, financial condition, and prospects as well as damage the Group's customers' and investors' confidence and the market price of the Issuer's securities. Damage to the reputation of the Group or Banco Santander, S.A. (as the ultimate parent of the Group), the reputation of affiliates operating under the "Santander" brand or any of its other brands could therefore cause significant harm to the Group's business and prospects. Harm to the Group's reputation can arise directly or indirectly from numerous sources, including, among others, employee misconduct (including the possibility of employee fraud), litigation, regulatory interventions and enforcement action, failure to deliver minimum standards of service and quality, loss or compromise of customer data, disruption to service due to a cyberattack, wider IT failures, compliance failures, third party fraud, financial crime, breach of legal or regulatory requirements, unethical behaviour (including adopting inappropriate sales and trading practices), and the activities of customers, suppliers and counterparties and the perception of the financial services industry as a whole. Further, negative publicity regarding the

Group, whether true or not, may result in harm to the Group's operations, financial condition and prospects. The Group's reputation could also suffer if it is the subject of negative coverage in the media, whether it has merit or not.

If the Group is unable to manage the growth of its operations, this could have a material adverse impact on its profitability

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses when necessary. From time to time, the Group evaluates acquisition, disposal, and partnership opportunities that it believes could offer additional value to its shareholders and customers and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates and may not be able to acquire promising targets or form partnerships on favourable terms, or at all. Furthermore, preparations for acquisitions that the Group does not complete can be disruptive. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to value, operations, profitability and other matters that may prove to be incorrect. The Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Such integration entails significant risks such as challenges in retaining the customers and employees of the acquired businesses, unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and regulatory investigations. Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. The Group can give no assurances that its expectations with regard to integration and synergies will materialise.

The Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively or to implement its strategic growth decisions, including its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its existing customer base;
- successfully execute its strategy;
- fully due diligence and assess the value, strengths and weaknesses of investment or acquisition candidates;
- finance strategic opportunities, investments or acquisitions;
- fully integrate strategic investments, or newly-established entities or acquisitions, in line with its strategy;
- align its current information technology systems adequately with those of an enlarged group; and
- apply its risk management policy effectively to an enlarged group.

Any or all of these factors, individually or collectively, could have a material adverse effect on the Group's operations, financial condition and prospects.

Capital and liquidity risk

The Group is subject to regulatory capital, liquidity and leverage requirements that could limit its operations, and changes to these requirements may further limit and could have a material adverse effect on the Group's operations, financial condition and prospects

Capital Requirements Regulation and Capital Requirements Directive IV

The Group is subject to capital adequacy requirements applicable to banks and banking groups under 'retained' EU law and as adopted by the PRA in the UK. The Group is required to maintain a minimum ratio of Common Equity Tier 1 ("**CET1**") capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital (leverage) to total adjusted assets for leverage purposes. Any failure by the Group to maintain such ratios above prescribed regulatory minimum levels may result in administrative actions or sanctions. These could potentially include requirements on the Group to cease all or certain lines of new business, to raise new capital resources or, in certain circumstances, a requirement for the Group's existing capital instruments (potentially including the Group's debt securities) to be subjected to bail-in or write down (for more information, see the risk factor entitled "*Legal and regulatory risks – The Group may become subject to the provisions of the Banking Act, including bail-in and write down powers*").

The EU Capital Requirements Directive IV ("**CRD IV Directive**") and the Capital Requirements Regulation (the "CRR" and together with the CRD IV Directive, "**CRD IV**") implemented changes proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**") to the capital adequacy framework, known as 'Basel III' in the EU. The CRR has been amended through a series of EU regulations, including the Capital Requirements Regulation 2 and the CRD IV Directive amended by the Capital Requirements Directive V ("**CRD V Directive**"). The EUWA converted the directly applicable elements of CRD IV into UK law on 31 December 2020 and preserved existing UK law implementing the CRD IV directive. Certain elements of the CRR which were 'onshored' in this way have now been transposed into the PRA rules.

In implementing CRD IV and the revised versions of CRD IV, the PRA has required the capital resources of UK banks to be maintained at levels which exceed the base capital requirements prescribed by CRD IV and to cover relevant risks in their business. In addition, a series of capital buffers have been established under CRD IV and PRA rules to ensure a bank can withstand a period of stress. Though the results of the Bank of England's ("**BoE**") 2022/23 stress test (the most recent exercise undertaken to set UK bank capital buffers) did not impact on the level of capital that the Group is required to hold, the PRA could, in the future, as a result of stress testing exercises and as part of the exercise of UK macro-prudential capital regulation tools, or through supervisory actions, require the Group to increase its capital resources further, which could have a material adverse effect on the Group's operations, financial condition and prospects.

*Liquidity Coverage Ratio (“**LCR**”) and Net Stable Funding Ratio (“**NSFR**”)*

The LCR is intended to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets which can be used to offset the net cash outflows the bank could encounter under a short-term significant liquidity stress scenario. The current minimum requirement for LCR is set at 100 per cent. The Group is also required to maintain available stable funding equal to at least 100 per cent. of its required stable funding under the NSFR. The Group’s current liquidity position is in excess of the minimum requirements set by the PRA, however there can be no assurance that future changes to the applicable liquidity requirements would not have an adverse effect on the Group’s financial performance.

Leverage ratios

The Financial Services Act 2012 also provides the Financial Policy Committee (“**FPC**”) of the BoE with certain macro-prudential tools for the management of systemic risk including quarterly setting of the countercyclical capital buffer rate and powers of direction relating to leverage ratios. All major UK banks and banking groups (including the Group) are required to hold enough Tier 1 capital (75 per cent. of which must be CET1 capital) to satisfy a minimum leverage ratio requirement of 3.25 per cent. and enough CET1 capital to satisfy a countercyclical leverage ratio buffer of 35 per cent. of each bank’s institution-specific countercyclical capital buffer rate. The PRA requires UK globally systemically important banks (“**G-SIBs**”) and Ring Fenced Bodies (as defined in the FSMA) to hold enough CET1 capital to meet an additional leverage ratio buffer (“**ALRB**”) of 35 per cent. of the institution-specific G-SIB buffer rate or Other Systemically Important Institutions (“**O-SII**”) buffer rate following the implementation of the CRD V Directive on 28 December 2020 (previously the Systemic Risk Buffer rate) and for consolidated groups which include a Ring Fenced Body (as defined in the FSMA) to hold enough CET1 capital to meet the ALRB. The FPC can also direct the PRA to adjust capital requirements in relation to particular sectors through the imposition of sectoral capital requirements. Action taken in the future by the FPC in exercise of any of its powers could result in the regulatory capital requirements applied to the Group being further increased, which could have a material adverse effect on the Group’s operations, financial condition and prospects.

Further regulatory changes

Regulators in the UK and worldwide have proposed that additional loss absorbency requirements should be applied to systemically important institutions to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution. The BoE is required to set the Minimum Requirement for Eligible Liabilities (“**MREL**”) for all institutions. The BoE required most banks, since 1 January 2022, to be in compliance with the end-state MREL requirements, which the Issuer is.

Regulators and legislators in the UK have produced a range of proposals for future legislative and regulatory reform which could force the Group to comply with certain operational restrictions or take steps to raise further capital or increase the Group’s expenses and could therefore have a material adverse effect on the Group’s operations, financial condition and prospects. These changes, which could affect the Group as a whole, include the UK’s implementation of the remaining Basel III standards. The Basel Committee on Banking Supervision has approved a series of significant changes to the Basel regulatory capital framework subsequent to Basel III from 7 December 2017, colloquially known as Basel IV or Basel 3.1, which revise the process for determining capital requirements. On 30 November 2022, the PRA published a consultation paper (CP 16/22) on the implementation of the Basel IV standards (which the PRA refers to as Basel 3.1) in the UK which on 12 December 2023 was followed by a Policy Statement (PS17/23) and the first of two sets of new near-final rules. The remaining rules are expected to be published in the second quarter of 2024 and together these new rules will revise the CRD IV framework already implemented in the UK. The PRA has proposed a four-and-a-half-year transitional period for implementation that will commence on 1 July 2025. CRD IV requirements adopted in the UK may change further and there may be further changes to the way in which the PRA continues to interpret and apply these requirements to UK banks (including with regard to individual model approvals or otherwise).

There is a risk that changes to the UK's capital adequacy regime (including any increase to minimum leverage ratios) may result in increased minimum capital requirements, which could reduce available capital for new business purposes and adversely affect the Group's cost of funding, profitability and ability to pay dividends, or other discretionary payments on its capital instruments continued organic growth (including increased lending), or pursue acquisitions or other strategic opportunities. Alternatively, the Group could be required to restructure its balance sheet to reduce capital charges incurred pursuant to the PRA's rules or raise additional capital, but at increased cost and subject to prevailing market conditions. In addition, any changes to the eligibility criteria for Tier 1 and Tier 2 capital may affect the Group's ability to raise Tier 1 and Tier 2 capital and impact the recognition of existing Tier 1 and Tier 2 capital resources in the calculation of the Group's capital position. Furthermore, increased capital requirements may negatively affect the Group's return on equity and other financial performance indicators.

The Group's business could be affected if its capital is not managed effectively or if these measures limit the Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms. Effective management of the Group's capital position is important to the Group's ability to operate its business, to continue to grow organically and to pursue its business strategy. There is a risk that implementing and maintaining existing and new liquidity requirements, such as through enhanced liquidity risk management systems, may incur significant costs, and more stringent requirements to hold liquid assets may materially affect the Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability. This could in turn adversely impact the Group's operations, financial condition and prospects.

Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group's operations, financial condition and prospects

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of factors such as over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. The Group performs comprehensive internal stress testing in order to ensure that it maintains funding profiles and holds a liquid asset buffer in order to manage this risk. However, unforeseen systemic market factors like those experienced during the last financial crisis make it difficult to eliminate these risks completely. There can be no assurance that such circumstances will not reoccur or that they will occur in the same way, but past experience and comprehensive stress testing regimes help the Group to consider and manage the potential impacts on its liquidity position. Liquidity constraints may affect the Group's operations and its ability to meet regulatory liquidity requirements or may limit growth possibilities. Disruption and volatility in the global financial markets, could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it, and in addition to increased funding costs, may result in a shortening in the term of funding it raises.

The Group's cost of funding is related to prevailing interest rates and to its credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads can be market-driven or idiosyncratic in nature and may be influenced by perceptions of its creditworthiness rather than any underlying change in the Group's financial position. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile. Market predictions of future central bank policy rate paths may impact the Group's cost of funding, even if central bank actions do not ultimately follow market predictions.

If wholesale markets financing ceases to be available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers and/or to sell assets, potentially at depressed prices or to reduce growth plans. The Group's cost of funding might also be impacted by increased competition for retail and corporate deposits.

In response to the COVID-19 pandemic, the BoE introduced the Term Funding Scheme with additional incentives for Small and Medium-Sized Enterprises ("**TFSME**"). The Group drew on this facility, and has begun repaying drawings ahead of the 2025 contractual maturities and as at 31 December 2023, the Group had £17 billion of drawings outstanding having repaid £8 billion in 2023. The Group will have to replace these remaining drawings via wholesale market issuance or through management of the customer funding gap.

Each of the factors described above could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it and, more generally, on its operations, financial condition and prospects.

Further, the Group aims for a funding structure that is consistent with its assets, avoids excessive reliance on short-term wholesale funding, attracts enduring retail and commercial deposits and provides diversification in products and tenor. The Group therefore relies, and will continue to rely, on retail and commercial deposits to fund a significant proportion of lending activities. The on-going availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as general economic conditions and the confidence of depositors in the economy and the financial services industry in general, confidence in the Group specifically, the Group's credit rating and the availability and extent of deposit guarantees, as well as competition between banks for deposits or competition with other products, such as mutual funds or, if launched, central bank digital currency. A change in any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing its ability to access deposit funding on appropriate terms, or at all, in the future, and therefore have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's liquidity planning assumes that customers will continue to make a volume of deposits with the Group (particularly demand deposits and short-term time deposits), and the Group intends to maintain its emphasis on the use of deposits as a source of funds. The short-term nature of some deposits could cause liquidity problems for the Group in the future if deposits are not made in the volumes anticipated or are withdrawn at short notice or are not renewed. If a substantial number of depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, there may be a material adverse effect on the Group's operations, financial condition and prospects. This might increase the Group's requirements for wholesale funding or require the execution of contingent options to raise additional liquidity, including the potential curtailing of growth plans.

An adverse movement in the Group's external credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative contracts and 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 its 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 effects 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. For example, the Group estimates that at 31 December 2023, if Fitch, Moody's and S&P were concurrently to downgrade the long-term credit ratings of Santander UK by one notch, and thereby trigger a short-term credit rating downgrade, this could result in an outflow of £1.2 billion of cash and collateral. A hypothetical two notch downgrade would result in a further outflow of £0.8 billion of cash and collateral at 31 December 2023. Under the LCR the Group holds sufficient liquidity to cover these potential outflows. 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.

Negative changes to the UK sovereign credit rating, or the perception that further negative changes may occur, could have a material adverse effect on the Group's operations, financial condition, prospects and the marketability and trading value of its securities. This might also have an impact on the Group's own credit rating, borrowing costs and ability to secure funding. Negative changes to the UK sovereign credit rating, or the perception that further negative changes may occur, could also have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and reducing asset prices, which could in turn have a material adverse effect on the Group's operations, financial condition and prospects.

Changes in the Group's pension liabilities and obligations could have a materially adverse effect on the Group's operations, financial condition and prospects

The majority of current employees are provided with pension benefits through defined contribution arrangements. Under these arrangements the Group's obligation is limited to the cash contributions paid. The Group provides retirement benefits for many of its former and current employees in the UK through a defined benefit pension scheme established under trust. The Issuer's subsidiary, Santander UK, is the principal employer under this scheme, but it has only limited control over the rate at which it pays into the scheme. Under the UK statutory pension funding requirements employers are usually required to contribute to the schemes at the rate they agree with the scheme trustees although, if they cannot agree, the rate can be set by the Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust deed and rules governing the scheme, but, in some cases, the trustees may have the unilateral right to set the employer's relevant contribution.

The Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in UK defined benefit pension schemes where, amongst other things that employer is 'insufficiently resourced' (as defined for the purposes of the relevant legislation). Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The Pensions Regulator can also issue contribution notices if it is of the opinion that an employer has taken actions, or failed to take actions, deliberately designed to avoid meeting its pension promises or which are materially detrimental to the scheme's ability to meet its pension promises.

A contribution notice can be issued to any company or individual that is connected with or an associate of such employer in circumstances where the Pensions Regulator considers it reasonable to issue it and multiple notices could be issued to connected companies or individuals for the full amount of the debt. The risk of a contribution notice being imposed may inhibit the Group's freedom to restructure or to undertake certain corporate activities. There is a risk that the Group could incur an obligation to make a contribution to the scheme by virtue of section 75 or 75A of the Pensions Act 1995 as a result of a reorganisation or disposal of the Group's businesses.

Should the value of assets to liabilities in respect of the defined benefit schemes operated by the Group record a deficit or an increased deficit (as appropriate), due to either a reduction in the value of the pension scheme assets (depending on the performance of financial markets) not matched by a fall in the pension scheme liabilities and/or an increase in the pension scheme liabilities (for example due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, or other factors) not matched by an increase in the pension scheme assets , this could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from other areas of the Group's business and reduce its capital resources. Changes in inflation and interest rates in particular pose significant risks to the pension scheme as liabilities would be adversely impacted by an increase in long-term inflation or reduction in interest rates, and it is inherently problematic to find assets that exactly match inflation and interest rate movements in the liabilities. The pension scheme assets are also invested in illiquid assets consisting primarily of unlisted credit, private equity and property. The value of these investments can only be known when they are realised. The value in the accounts is an estimate of the fair value of these investments but the final realised value could be materially different. Although the trustee of the scheme is obliged to consult with the Group before changing the pension scheme's investment strategy, the trustee has the final say and the ultimate responsibility for investment strategy rests with the trustee. A change in the actual or perceived strength of the employer's covenant could also result in the Group having to make increased contributions to the scheme. While the Group can control a number of the above factors, there are some over which the Group has no or limited control.

Changes in UK legislation and regulation through the Pension Schemes Act 2021 to address perceived failings in pension protection following recent high profile company insolvencies with large pension deficits may also affect the Group's position. Specific areas where concerns have been raised are levels of dividends where there is a pension scheme with a deficit and the length of time taken to address deficits. These changes in legislation or regulation could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources.

Any increase in the Group's pension liabilities and obligations as a result of the foregoing factors could have a material adverse effect on the Group's operations, financial conditions and prospects. There is also a risk of reputational damage if the scheme fails to comply with legislation or if there are any issues with members or the trustee being dissatisfied.

Market risks

The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect on the Group's operations, financial condition and prospects

Market risk refers to the probability of variations in the Group's net interest income or in the market value of its assets and liabilities due to volatility of interest rates, credit spreads, exchange rates or equity prices.

Changes in interest rates would affect the following areas, among others, of the Group's business:

- net interest income;
- the value of the Group's derivatives transactions;
- the value of the Group's securities holdings;
- the value of the Group's loans and deposits; and
- the volume of loans originated.

Interest rates are highly sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, inflation, monetary policies, domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on the Group's assets and the interest paid on its borrowings, thereby affecting its net interest income, which comprises the majority of its revenue, reducing its growth rate and profitability and potentially resulting in losses. In addition, costs the Group incurs putting into place strategies to reduce interest rate exposure could increase in the future, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Increases in interest rates may reduce the volume of loans originated by the Group. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets.

Reductions in interest rates could lead to margin compression if such changes are passed on to customer liabilities to a lesser extent than they are passed on to customer assets.

Changes in interest rates may also affect the ability of the Group's customers to prepay or refinance fixed-rate loans, affect the value of its financial assets and reduce gains or require the Group to record losses on sales of the Group's loans or securities, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Negative changes in positions recorded at fair value could have a material adverse effect on the Group's operations, financial condition and prospects

The Group has material exposures to securities, derivatives and other investments that are recorded at fair value and are therefore exposed to potential negative market changes. A widening of market credit spreads, reflecting the prevailing market conditions would negatively impact asset valuations in future periods and may result in negative changes in the fair values of the Group's financial assets. A tightening of the Group’s own credit spreads would increase the magnitude of liabilities, thereby reducing net assets.

In addition, the value ultimately realised by the Group on disposal of assets and liabilities recorded at fair value may be lower than their current fair value; for example, during the last global financial crisis, financial markets were subject to periods of significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads.

The Group is also exposed to changes in the market value of credit and funding spreads for the valuation of certain derivative contracts, the estimated value of which is negatively exposed to increases in the Credit Valuation Adjustment (“**CVA**”) spread and the Funding Fair Valuation Adjustment (“**FVA**”) spread over the lifetime of the transaction.

Any of these factors could require the Group to record negative changes in fair value, which could have a material adverse effect on the Group’s operations, financial condition and prospects.

The Group is also exposed to changes in UK residential house price index levels, future index growth assumptions and house price index volatility. These impact the valuations of the portfolios of home reversion plans, lifetime mortgages and associated hedges held by the Group. In addition, the home reversion assets and mortgages are exposed to any changes in underlying mortality assumptions as maturity dates on these are not fixed and are driven by the vacation of the underlying property on a permanent basis by the plan holder. Specific property risk exists for each individual asset versus the indexed growth assumption at the point of maturity. Lifetime mortgages additionally have prepayment risk which is managed via a FVA based on historic data.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets and in times of economic instability. In such circumstances, the Group’s valuation methodologies require it to make assumptions, judgments and estimates in order to establish fair value.

Reliable assumptions are difficult to make and are inherently uncertain. Moreover, valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group’s operations, financial condition and prospects.

The Group invests in debt securities of the UK government largely for liquidity management purposes. At 31 December 2023, approximately 5 per cent. of the Group’s total assets and 7 per cent. of the Group’s securities portfolio were comprised of debt securities issued by the UK government. Any failure by the UK government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group’s operations, financial condition and prospects.

Credit risk

If the level of non-performing loans increases or the credit quality of the Group's loans deteriorates in the future, or if the Group's loan loss reserves are insufficient to cover loan losses, this could have a material adverse effect on the Group's operations, financial condition and prospects

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past had, and could continue to have, a material adverse effect on the Group's operations, financial condition and prospects.

In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future (the credit quality of which may turn out to be worse than the Group had anticipated), or factors beyond the Group's control, such as adverse changes in the credit quality of the Group's borrowers and counterparties, a general deterioration in the UK or global economic conditions (including, without limitation, rising interest rates), the impact of political events, events affecting certain industries or events affecting financial markets and global economies. Broader inflationary pressures that impact a customer's ability to service debt payments could also lead to increased arrears in both unsecured and secured products.

There can be no assurance that the Group will be able to effectively control the level of impaired loans in, or the credit quality of, its total loan portfolio, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Interest rates payable on a significant portion of the Group's outstanding mortgage loan products fluctuate over time due to, among other factors, changes in the BoE base rate. As a result, borrowers with variable interest rate mortgage loans are exposed to increased monthly payments when the related mortgage interest rate adjusts upward. Similarly, borrowers of mortgage loans with fixed or introductory rates adjusting to variable rates after an initial period are exposed to the risk of increased monthly payments at the end of this period. Over the last two years, interest rates attached to both variable and fixed rate mortgages have increased from historic lows. Customers with variable rates or those whose fixed rate terms have ended during this time period have faced increased monthly payments. These events, alone or in combination, may contribute to higher delinquency rates and losses for the Group, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. The Group's loan loss reserves are based on the Group's current assessment of various factors affecting the quality of its loan portfolio, including its borrowers' financial condition, repayment abilities, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond the Group's control. As a result, there is no precise method for predicting loan and credit losses, and no assurance can be provided that the Group's current or future loan loss reserves will be sufficient to cover actual losses.

If the Group's assessment of and expectations concerning the above-mentioned factors differ from actual developments the Group may need to increase its loan loss reserves, which may adversely affect the Group's operations, financial condition and prospects. Additionally, in calculating its loan loss reserves, the Group employs qualitative tools and statistical models which may not be reliable in all circumstances, and which are dependent upon data that may not be complete. If the Group is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Group's operations, financial condition and prospects.

The value of the collateral, including real estate, securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing the Group's loan portfolio

The value of the collateral securing the Group's loan portfolio may significantly fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors affecting the UK's economy. The Group's residential mortgage loan portfolio is one of its principal assets, comprising 85 per cent. of the Group's loan portfolio at 31 December 2023. As a result, the Group is highly exposed to developments in the residential property market in the UK. Following the peak in aggregate UK house prices in 2022, these fell slightly in 2023 with ongoing uncertainty in the outlook for house prices for 2024 and beyond. UK experience of other episodes of house price declines, as well as the continuing uncertainty as to the extent and sustainability of any UK economic downturn and recovery, will mean that losses could be incurred on high LTV (loan to value) loans should they go into possession.

The value of the collateral securing the Group's loan portfolio may also be adversely affected by force majeure events such as natural disasters like floods or landslides exacerbated by climate change trends. Any force majeure event may cause widespread damage and could have an adverse impact on the economy of the affected region and may therefore impair the asset quality of the Group's loan portfolio in that area.

The Group may also not have sufficiently up-to-date information on the value of collateral, which may result in an inaccurate assessment for impairment losses on loans secured by such collateral.

If any of the above events were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Legal and regulatory risks

The Group is subject to substantial and evolving regulation and governmental oversight

As a financial services group, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK and in each other location in which the Group operates. For a discussion of the principal laws and regulations to which the Group is subject, see "Regulation of the Group". The sector continues to face unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. In addition, regulatory and governmental authorities have continued to consider further enhanced or new legal or regulatory requirements intended to reduce the probability and impact of future crises (or otherwise assure the stability and operational resilience of institutions under their supervision), enhance consumer protection, address climate change risks, the risk of greenwashing and environmental, social and governance risks generally, and improve controls in relation to financial crime-related risks. For example, the Group is now a participant lender in the UK government's Mortgage Charter initiative, which was launched in June 2023 by HMT in light of the pressures on households following interest rate rises and the cost of living crisis pursuant to which the Group has agreed to take additional steps to support residential mortgage borrowers experiencing financial difficulties. The Group expects regulatory and government intervention in the banking sector to remain high for the foreseeable future. An intensive approach to supervision is maintained in the UK by the BoE as resolution authority, the PRA, the FCA, the Competition and Markets Authority ("**CMA**"), the Payment Systems Regulator ("**PSR**"), the Information Commissioner's Office, the Serious Fraud Office ("**SFO**") and the Lending Standards Board.

As well as being subject to UK regulation, as part of the Banco Santander Group, the Group is also affected by other regulators such as the Banco de España and the European Central Bank ("**ECB**"), as well as various legal and regulatory regimes (including the U.S.) that have extraterritorial effect. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the U.S., the EU and other jurisdictions. Given the Group is subject to oversight by multiple regulators or government bodies related to the same conduct or activity, it can increase business uncertainty and the amount of resources needed to ensure the Group's compliance with the different legal and regulatory regimes.

The manner in which financial services laws, regulations and policies are applied to the operations of financial institutions has gone through great change which is still being implemented and reviewed. Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in supervision and regulation (in particular in the UK), are beyond the Group's control and could materially affect the Group's business.

Changes in UK legislation and regulation applicable to the financial sector may also affect the Group's competitive position, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry. For example, in December 2022, the Chancellor of the Exchequer announced a package of financial services regulatory reforms – known as the Edinburgh Reforms – designed to strengthen the international competitiveness of the UK's financial services sector and drive economic growth. Furthermore, as set out above (see the risk factor entitled "*The UK's withdrawal from the European Union ("Brexit") has had and could continue to have a material adverse effect on the Group's operations, financial condition and prospects*"), FSMA 2023 enables HMT to revoke retained EU legislation and empowers the PRA and the FCA to replace it with their own rules. Further, in July 2023 HMT began to set out its programme of secondary legislation to replace repealed retained EU law as part of its intention to deliver a "Smarter Regulatory Framework" for financial services tailored to the UK. There is a risk that this initiative results in UK financial services regulation materially diverging from EU regulation, and accordingly that the strategy of the Group in relation to products/initiatives that have a cross-border element could be materially impacted.

To the extent these laws, regulations and policies apply to it, the Group may face higher compliance costs and the need to carefully manage capacity to readily respond to multiple regulatory or government policy changes simultaneously. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such laws, regulations and policies as well as any deficiencies in the Group's compliance with such laws, regulations and policies could result in significant loss of revenue, could have an impact on the Group's strategy, limit its ability to pursue business opportunities in which the Group might otherwise consider engaging, limit the Group's ability to provide certain products and services and/or result in enforcement action (including the imposition of financial and other penalties). They may also affect the value of assets that the Group holds, requiring the Group to increase its prices thereby reducing demand for the Group's products or otherwise have a material adverse effect on its operations, financial condition and prospects. Accordingly, there can be no assurance that future changes in laws, regulations and policies or in their interpretation or application by the Group or by regulatory authorities will not adversely affect the Group.

Specific examples of areas where regulatory changes and increased regulatory scrutiny could have a material adverse effect on the Group's operations, financial condition and prospects include, but are not limited to, the following:

Banking reform

In accordance with the provisions of the Financial Services (Banking Reform) Act 2013 UK banking groups that hold significant retail deposits (more than £25 billion of "core deposits"), including the Group, were required to separate or 'ring-fence' their retail banking activities from their wholesale banking activities by 1 January 2019. The Group completed its ring-fencing plans in advance of the legislative deadline of 1 January 2019. However, given the complexity of the ring-fencing regulatory regime and the material impact on the way the Group conducts its business operations in the UK, there is a risk that the Group and/or the Issuer may be found to be in breach of one or more ring-fencing requirements. This might occur, for example, if prohibited business activities are found to be taking place within the ring-fence, mandated retail banking activities are found being carried on in a UK entity outside the ring-fenced part of the Group or the Group breached a PRA ring-fencing rule. If the Group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to supervisory or enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the Group's UK activities or, in the most serious of cases, the forced restructuring of the UK group, entitling the PRA (subject to the consent of the UK government) to require the sale of a Santander ring-fenced bank or other parts of the Group. Following the publication of the final report of the Independent Panel on Ring-Fencing and Proprietary Trading on 15 March 2022, HMT announced its intention to implement certain limited reforms to the ring-fencing regime, including increasing the ring-fencing core deposit threshold from £25 billion to £35 billion, introducing a de minimis threshold to allow ring-fenced banks to incur an exposure to relevant financial institutions ("**RFIs**") of up to £100,000 per RFI at any one time, and allowing ring-fenced banks to establish operations outside of the UK or the European Economic Area, have exposure to RFIs that qualify as small and medium sized enterprises ("**SMEs**") and undertake a wider range of activities such as market standard trade finance activities or inflation swaps. In September 2023, HMT published a consultation on the reforms, as well as draft secondary legislation which the government intends to lay before Parliament in early 2024. These proposed reforms of the ring-fencing regime may lead to further review or amendment of the Group's operational and compliance arrangements in relation to the regime.

Competition

Competition authorities (which in the UK include the CMA, the FCA and the PSR) can run reviews and investigations into any aspect of the Group's operations or the functioning of any markets in which the Group operates, which could lead to the Group being required to change the markets in which the Group operates. In addition, the CMA's widening focus on market outcomes may also result in increased reviews by the CMA of the markets in which the Group operates. On 25 April 2023, the UK government introduced the draft Digital Markets, Competition and Consumers Bill ("**DMCC**") to the UK Parliament, which proposes significant reforms to the powers of competition authorities in relation to the aforementioned investigations, including substantial new fining powers. The DMCC also introduces other wide-ranging reforms to the UK's competition, consumer protection and digital markets regulatory landscape, some of which could impact the Group's business. For instance, the DMCC grants the CMA the power to directly determine whether certain consumer protection laws have been infringed without needing to go through the courts.

Payments

The Group has been required to make systems changes and update processes to comply with a number of new payment regulations at a European as well as domestic UK level. Within the UK, the PSR has mandated the Group to build systems and processes for both Confirmation of Payee as well as the Contingent Reimbursement Model Code ("**CRM**") which both aim to reduce the level of customer fraud (particularly through the Group's customers' manipulation into making payments known as "Authorised Push Payment" ("**APP**") fraud). Under these standards, the Group assumes responsibility for certain categories of customer losses and any inherent failing in system design may lead to fines from regulators and/or compensation being paid to customers. Further, from October 2024, the Group will be subject to the PSR's reimbursement requirement, requiring it to reimburse APP scam victims subject to certain exceptions, excesses and maximums, adding to the Group's obligations in this space. The Group also expects to see significant developments in the key UK payment systems architecture - with systems update of the high value Clearing House Automated Payment System ("**CHAPS**") system through the Real Time Gross Settlement ("**RTGS**") renewal as well as the "New Payments Architecture" for faster payments, BACS and the other lower value retail payment schemes. Transitioning to the 'New Payments Architecture' will generate short-term challenges, including in successfully adopting the ISO20022 messaging standard while ensuring payment message completeness in alignment with regulatory requirements. Directive (EU) 2015/2366 ("**PSD2**") has been implemented and transposed into UK legislation in the Payment Services Regulations 2017 and the UK continues to build upon the requirements within the EBA Regulatory Technical Standards via the Open Banking API industry standard and build. Open Banking and PSD2 both have shown that they have the potential to exacerbate a number of existing risks including data loss/data protection, cyber security, fraud and wider financial crime risk, which in turn could give rise to increased costs, litigation risk and risk of regulatory investigation and enforcement activity.

Data privacy

In connection with its processing of personal data, the Group is subject to data protection laws and regulations – in particular, the UK GDPR (as defined and interpreted in accordance with the Data Protection Act 2018) and the Data Protection Act 2018 (DPA). In the event the Group breaches any such data protection laws, it could face significant enforcement action and/or financial penalties as well as reputational damage, which could ultimately have a material adverse effect on the Group's operations, financial condition and prospects. The Data Protection and Digital Information (No 2) Bill (DPDI Bill 2) was introduced on 8 March 2023 and proposes a number of changes to the UK GDPR and the DPA. As at January 2024, the DPDI Bill 2 is being considered by the House of Lords. Whilst the final form of the DPDI Bill 2 remains subject to change as it progresses though the legislative process, if it becomes law, it may result in the Group having to make changes to its current data protection compliance programme which could result in compliance and operational costs. The proposed reforms set out in the DPDI Bill 2 may also pose a risk to the EU Commission's adequacy decision for the UK. This is because the European Commission may consider that the UK's data protection laws are no longer essentially equivalent to those of the EU. If the EU Commission's adequacy decision for the UK is withdrawn, this could impact personal data flows from entities in the EU to the Group in the UK. In the event this occurs, it may result in additional costs to the Group in order to facilitate those data flows, to the extent those data flows are impacted, with the UK being subject to EU transfer rules as a non-adequate jurisdiction.

Cybersecurity

The Group is subject to cybersecurity regulations and cybersecurity incident reporting requirements. Cybersecurity incident reporting often require short timeframes and there is a risk that the Group will fail to meet the reporting deadlines for any given cybersecurity incident. There will be legal, reputational and regulatory risks in the event the Group, or the third-party providers the Group works with, are found to be out of compliance with these regulations and reporting requirements.

Consumer duty

The FCA's rules and guidance on a broad consumer duty that firms undertaking regulated activities with retail clients must observe (the "**Consumer Duty**") have been in force for open products and services since 31 July 2023. The Consumer Duty has three elements: (i) a "Consumer Principle", which reflects the overall standards of behaviour the FCA expects from firms (a firm must act to deliver good outcomes for retail customers), (ii) three cross-cutting rules that articulate the standards of conduct expected under the "Consumer Principle" (firms must act in good faith towards retail customers, avoid causing foreseeable harm to retail customers and enable and support retail customers to pursue their financial objectives), and (iii) four outcomes that build on the Consumer Principle and cross-cutting rules, comprising a suite of rules and guidance setting more detailed expectations for a firm's conduct in four areas that represent the key elements of the firm-consumer relationship (product design and governance, price and value, consumer understanding and consumer support). The expectations of the Consumer Duty require firms to end unfair charges and fees, make it as easy to switch or cancel products as it was to take them out in the first place, provide helpful and accessible customer support, act quickly to respond to customer queries, provide timely, clear and easily understandable information to customers regarding products and services, provide products and services that are appropriate for their customers, and focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. The Consumer Duty also requires firms to monitor, evidence and report against many of the requirements. The Group has completed the first phase of the implementation of the Consumer Duty, which required a review of, and changes to, the Group's products, services, policies, systems and procedures against the FCA requirements. The second phase of the implementation of the Consumer Duty is due by 31 July 2024, being the date on which the Consumer Duty applies to closed products and services, and accordingly focuses on such products and services. The Consumer Duty affects elements of the Group's business model and strategy, the products and services it offers and the pricing or costs of those products and services, which may in turn affect the revenue and profits that the Group is able to generate. It may result in an increase in civil litigation or claims to the Financial Ombudsman Service ("**FOS**") by customers alleging a breach of the standards of the Consumer Duty or in regulatory action by the FCA. The FCA has indicated that an early area of focus for them will be to look at firms' complaints data in order to identify where the FOS uphold high numbers of complaints, and that it will hold firms accountable to ensure complaints are dealt with fairly and that robust mechanisms are in place to learn from the root causes of complaints. The FCA will continue to work across sectors to test how the Consumer Duty has been implemented and embedded within firms and will be looking for changes in culture across firms and evidence on how firms ensure customers receive good outcomes at any point when they interact with a firm. Where the FCA identifies serious breaches of the Consumer Duty, it has stated that it will take robust action, including interventions, investigations and possibly disciplinary sanctions. If the Group is not able to demonstrate continuous learning and improvement when it comes to customer experience and outcomes, and compliance with the Consumer Duty more broadly, it could lead to regulatory actions by the FCA and reputational damage arising from adverse publicity.

Insolvency

Changes to the UK corporate insolvency regime were introduced through the Corporate Insolvency and Governance Act 2020, including a pre insolvency moratorium process for corporates in financial difficulty to give a period of time to seek a rescue or restructure and a new restructuring plan insolvency procedure to enable debt restructures. The Finance Act 2020 re-established certain tax debts owed by corporates as secondary preferential debts, ranking ahead of debts owed to floating charge holders. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (which came into force on 4 May 2021) gives eligible individuals in England and Wales the ability to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue, or enforce a debt owed by the applicant. The impact these changes will have in relation to the collection and recovery of loans to retail and corporate customers who are in financial difficulty or default continues to evolve.

Outsourcing and third-party risk management

In March 2021, the PRA published Supervisory Statement 2/21 on outsourcing and third-party risk management (SS2/21). SS2/21 is the primary source of reference for the Group when interpreting and complying with its requirements on outsourcing and third-party risk management, although it should be read alongside the EBA guidelines on outsourcing arrangements, and PRA and FCA rules and guidance on outsourcing. The scope of contracts required to meet the PRA requirements on outsourcing and third-party risk management extends beyond that set out in the EBA guidelines on outsourcing and also captures material non-outsourcing. SS2/21 also requires that intragroup outsourcing be subject to the same requirements and expectations as external outsourcing and should not be treated as being inherently less risky. If the Group is unable to meet the PRA or FCA requirements on outsourcing and third-party risk management, it may face supervisory measures, which could in turn have a material adverse effect on the Group's operations, financial condition and prospects.

Operational resilience

In March 2021, the PRA and the FCA published Supervisory Statement 1/21 (SS1/21) and Policy Statement 21/3 (PS21/3), which set out their final rules and guidance intended to strengthen operational resilience in the financial services sector. The operational resilience rules require the Group to identify its 'important business services', being those services which, if disrupted, could cause intolerable harm to clients or pose a risk to that firm's safety and soundness or to the stability of the UK financial system. Once the Group has identified these, it must set impact tolerances for all important business services and ensure it is able to remain within these tolerances in severe but plausible disruption scenarios. The Group must comply with these requirements by no later than the end of a three-year transitional period on 31 March 2025. If the Group is unable to meet the PRA and FCA requirements relating to operational resilience, it may face supervisory measures, which could in turn have a material adverse effect on the Group's operations, financial condition and prospects.

Climate change

The UK government has announced its intention to roll out new sustainability disclosure requirements, which will expand on those required under the TCFD framework, including transition plans to align to net-zero, as well as a new UK green taxonomy. The Issuer is implementing the recommendations of the TCFD on a group level: further reporting will require additional gathering of data and digitalisation of reporting and there will be legal, reputational and regulatory risks should the Issuer fail to adequately report, or to demonstrate appropriate capabilities to transition and support its customers to transition to a low carbon economy.

National Security and Investment Act

The National Security and Investment Act 2021 ("**NSIA**") came into force on 4 January 2022 in the UK, introducing a new national security screening regime with mandatory suspensory notifications required for corporate and financial transactions in certain sectors which meet the prescribed thresholds. The NSIA also grants the UK government wide-ranging powers to intervene in transactions on national security grounds, even where the transaction is outside of the scope of the mandatory notification regime. The UK government can impose heavy criminal and civil penalties under the NSIA for non-compliance. In the event that the UK government intervenes in any of the Group's transactions and/or imposes any related penalties on the Group, this could result in reputational damage and could have a material adverse effect on the Group's operations, financial condition and prospects.

Access to cash

The FSMA 2023 grants the BoE supervisory powers to regulate the UK wholesale cash distribution market, including powers to impose fines and empowers HMT to designate firms to be subject to FCA oversight for the purpose of ensuring the reasonable provision of cash access (including free cash access). The Group expects to be a designated firm for these purposes. The FCA intends to make rules to ensure the reasonable provision of cash withdrawal and deposit facilities and in its consultation paper (CP23/29) outlined how it intends to use its powers, for example, by limiting the availability of designated firms to close cash facilities, including bank branches, until any additional cash services identified as needed are available. The new access to cash regime is likely to have implications for the Group's business decisions and strategy, in particular in relation to its branch network and its participation in the wholesale cash distribution market generally. The new access to cash regime is expected to be finalised in 2024. In the event that the BoE imposes any fines with respect to the Group’s participation in the wholesale cash distribution market or the FCA imposes requirements on the Group in relation to retail cash access, this could result in reputational damage and have a material adverse effect on the Group’s operations, financial condition and prospects.

Financial crime

The UK financial crime legislative framework has been updated significantly in recent years and is subject to regular change. The Economic Crime (Transparency and Enforcement) Act 2022 (“**ECTEA**”) significantly streamlined the process of making sanctions and empowered the Office of Financial Sanctions Implementation (“**OFSI**”) to enforce sanctions on a strict liability basis. ECTEA also introduced a Register of Overseas Entities at Companies House with the aim of providing greater transparency in the UK property market by requiring overseas entities to register with Companies House. ECTEA was followed by the Economic Crime and Corporate Transparency Act 2023 (“**ECCTA**”). ECCTA includes reforms to Companies House over a multi-year period, a reform of the identification doctrine (broadening the scope of corporate criminal liability by making corporates criminally liable for the conduct of senior managers acting within the scope of their authority), the introduction of a new offence of failure to prevent fraud and the expansion of inter-bank information sharing for the purposes of detecting and preventing economic crime. Many of these provisions are due to come into force in 2024. 2024 may also see a number of other financial services legal and regulatory changes. These include changes to the treatment of domestic politically exposed persons, as set out in FSMA 2023, new proposals for a ‘Suspended Accounts Scheme’ as set out in the Criminal Justice Bill 2023-24, possible changes to account closure rules, mandatory APP scam reimbursement rules (as mentioned above under “Payments”) and potential changes to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“**MLRs**”). The UK government is also expected to continue to take forward a series of non-legislative reforms that will impact the financial crime landscape, as committed to in keynote strategic publications, such as the Economic Crime Plan 2 and Fraud Strategy. The expansion of criminal liability under these reforms brings with it financial risk in the form of penalties and reputational risk, while continued compliance with the changing UK financial crime framework may expose the Group to increased operational and compliance costs, each of which would in turn have a material adverse effect on the Group’s operations, financial condition and prospects.

The Group may become subject to the provisions of the Banking Act, including bail-in and write down powers

The special resolution regime set out in the Banking Act 2009 (the "**Banking Act**") provides HMT, the BoE, the PRA and the FCA with a variety of powers for dealing with UK deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a 'bridge bank'. The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

If an instrument or order were made under the Banking Act in respect of an entity in the Group, such instrument or order (as the case may be) may, among other things: (i) result in a compulsory transfer of shares or other securities or property of such entity; (ii) have an impact on the rights of the holders of shares or other securities issued by the Group or such entity or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of the shares and/or other securities of such entity. In addition, such an order may affect matters in respect of the Group or such entity and/or other aspects of the shares or other securities of the Group or such entity, which may negatively affect the ability of the Group or such entity to meet its obligations in respect of such shares or securities.

Further, amendments to the Insolvency Act 1986 and secondary legislation have introduced changes to the treatment and ranking of certain debts with the result that certain eligible deposits will rank in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency. This may negatively affect the ability of unsecured creditors to recover sums due to them in an insolvency scenario.

If a "bail-in" order were made under the Banking Act as amended by The Financial Services (Banking Reform) Act 2013 (see further "Regulation of the Group – The Banking Act 2009"), such an order would be based on the principle that any creditors affected by the "bail-in" order should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a bank under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the bank. The bail-in power under the Banking Act may potentially be exercised in respect of any unsecured debt securities issued by a bank under resolution or an entity in the Group, regardless of when they were issued. Accordingly, the bail-in power under the Banking Act could be exercised in respect of the Group's debt securities. Public financial support would only be used as a last resort, if at all, after having assessed and utilised, to the maximum extent practicable, the resolution tools including the bail-in tool and the occurrence of circumstances in which bail-in powers would need to be exercised in respect of the Group or any entity in the Group would have a material adverse effect on the Group's operations, financial condition and prospects.

The PRA also has the power to make rules requiring a parent undertaking of a bank to make arrangements to facilitate the exercise of resolution powers, including a power to require a member of a banking group to issue debt instruments. The exercise of such powers could have an impact on the liquidity of the Group's debt instruments and could materially increase the Group's cost of funding.

In addition, the resolution authorities have the power to require institutions and groups to make structural changes to ensure legal and operational separation of 'critical functions' from other functions where necessary, or to require institutions to limit or cease existing or proposed activities in certain circumstances. As a result, the Group is required to identify such 'critical functions' as part of its resolution and recovery planning. If used in respect of the Group, these ex-ante powers could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group must comply with laws and regulations relating to anti-money laundering, anti-terrorism, anti-bribery and corruption, sanctions and preventing the facilitation of tax evasion. Failure to prevent, detect or deter any illegal or improper activities could have a material adverse effect on the Group's operations, financial condition or prospects

The Group is required to comply with applicable laws and regulations relating to anti-money laundering ("**AML**"), counter-terrorism financing ("**CTF**"), anti-bribery and corruption, sanctions, preventing the facilitation of tax evasion and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct customer due diligence (including in respect of sanctions and politically-exposed person screening), ensure customer and transaction information is appropriately recorded, monitored and kept up to date and implement effective financial crime policies and procedures detailing what is required from those responsible in order to counter financial crime risks with the aim to prevent the facilitation of bribery, tax evasion and fraud by its employees or associated persons. Group staff are obligated to report suspicious transactions and activity to appropriate law enforcement. The policies and procedures require the implementation and embedding of effective controls and monitoring within the businesses of the Group, which in turn requires ongoing changes to systems, technology and operational activities.

The Group is also required to conduct financial crime training for its staff. Comprehensive and risk based financial crime training at a group-wide and business unit level is a key element of effective controls, with the FCA providing guidance on expectations within its Financial Crime Guide and the Joint Money Laundering Steering Group providing guidance on the practical interpretation of UK AML and CTF legislation. Financial crime is continually evolving and this requires proactive and adaptable responses from the Group so that it is able to deter, detect and disrupt threats and criminality effectively. Even known threats can never be fully eliminated, and there may be instances where the Group could be used by other parties to engage in money laundering and other illegal or improper activities. The Group staff, whom the Group rely heavily upon to identify such activities and report them, have varying degrees of experience in recognising criminal tactics, making effective bank-wide mandatory and specialist training provided by the Group Economic Crime Academy more pertinent.

Where the Group outsources any of its customer due diligence, customer screening or anti-financial crime operations, it remains responsible and accountable for full compliance and any breaches. If the Group is unable to apply the necessary scrutiny and oversight, or if such oversight proves insufficient to detect illegal or improper activities, there remains a risk of regulatory breach and this could have a material adverse effect on its operations, financial condition and prospects.

Over the last decade, laws and regulations relating to financial crime have become, and may continue to become, increasingly complex and detailed. Consequently, financial crime risk has become, the subject of enhanced regulatory scrutiny and supervision by regulators globally, which continues to intensify. To manage regulatory scrutiny, the Group continues to improve its systems, adopt more sophisticated monitoring and enhance the skill set of its compliance personnel. Navigating the increasing complexity of financial crime regulation is a significant challenge, involving overlapping requirements between different legislation, and, in some instances, conflicts of laws. The divergence of policy approaches between the EU, UK and U.S. in the area of economic sanctions and the evolving financial and trade sanctions imposed on Russia and Belarus due to the war in Ukraine, require additional immediate and longer-term sanctions risk management and compliance efforts for the Group.

UK AML and CTF legislation continues to change (for instance through the enactment of the ECCTA, the introduction of requirements regarding proliferation financing as introduced by the UK's money laundering regulations and regular updates to the UK's list of third countries identified as high-risk countries), recent updates to beneficial ownership discrepancy reporting requirements detailed in the UK's money laundering regulations, or the recent launch of the Register of Overseas Entities and the associated compliance regime, which is reflected where appropriate within the Group's AML and CTF policies and procedures, with additional training and guidance required for employees. While legislative changes can offer opportunities to increase effectiveness and efficiency in the overall anti-financial crime system, there are also risks of divergence from Banco Santander Group legislative and regulatory requirements via Banco Santander and the EU. Significant change could adversely impact the Group's business by increasing its operational and compliance costs and reducing the value of its assets and operations, which would in turn have a material adverse effect on the Group's operations, financial condition and prospects.

If the Group is unable to fully comply with applicable laws, regulations and expectations, its regulators and relevant law enforcement agencies have the ability and authority to pursue civil and criminal proceedings against it, to impose significant fines and other penalties on it, including requiring a complete review of the Group's business systems, day-to-day supervision by external consultants, imposing restrictions on the conduct of the Group's business and operations and ultimately the revocation of the Group's banking licence. The reputational damage to its business and brand could be severe if the Group was found to have materially breached AML, CTF, anti-bribery and corruption, anti-tax evasion or sanctions requirements. The Group's reputation could also suffer if it were unable to protect the Group's customers or its business from being used by criminals for illegal or improper purposes. Criminal penalties could be imposed upon individuals employed by the Group. Any of these outcomes could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group has been, and may in the future be, subject to negative coverage in the media about the Group or the Group's clients, including with respect to alleged conduct such as failure to detect and/or prevent any financial crime activities or comply with financial crime compliance regulations. Negative media coverage of this type about the Group, whether it has merit or not, could materially and adversely affect the Group's reputation and perception among current and potential clients, investors, vendors, partners, regulators and other third parties, which in turn could have a material adverse effect on the Group's operating results, financial condition and prospects as well as damage the Group's customers' and investors' confidence and the market price of the Issuer's securities.

At an operational level, geopolitical, economic, social and technological changes can provide opportunities to financial criminals and alter the risks posed to banks. Effective intelligence and monitoring systems within strengthened public/private partnerships supported by improved national capabilities to share knowledge on emerging risks and information pre-suspicion are required to help manage these risks. However, there can be no guarantee that any intelligence shared by public authorities or other financial institutions will be accurate or effective in helping the Group to combat financial crime, and if, despite such efforts, the Group fails to combat financial crime effectively then this could have a material adverse effect on the Group's operations, financial condition and prospects.

In addition, while the Group reviews its relevant counterparties' internal policies and procedures (for example, under its correspondent banking relationships) with respect to such matters, the Group, to a large degree, requires relevant counterparties to maintain and properly apply their own appropriate anti-financial crime procedures to reduce the risk of being used as a conduit for money laundering without its knowledge. There are also risks that other third parties, such as suppliers, and those considered 'associated parties' under the UK Bribery Act could be involved in financial crime. If the Group is associated with, or even accused of being associated with, financial crime (or a business involved in financial crime), then its reputation could suffer and it could become subject to civil or criminal proceedings that could result in penalties, sanctions and legal enforcement (including being added to "black lists" that would prohibit certain parties from engaging in transactions with it), any one of which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group is subject to tax-related risks

The Group is subject to the substance and interpretation of UK tax laws and is subject to routine review and audit by tax authorities in relation thereto. The Group's interpretation or application of these tax laws may differ from those of the relevant tax authorities. While the Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities, the amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. In general, changes to tax laws and tax rates, including as a result of policy changes by governments and/or regulators, and penalties for failing to comply with such changes, could have a material adverse effect on the Group's operations, financial condition and prospects. Some of these changes may be specific to the banking/financial services sectors and therefore result in the Group incurring an additional tax burden when compared to other industry sectors.

The Group is exposed to risk of loss and damage from civil litigation and/or criminal legal and regulatory proceedings

The Group faces various legal and regulatory issues that have given rise and may give rise to civil or criminal litigation, arbitration, and/or criminal, tax, administrative and/or regulatory investigations, inquiries or proceedings. Failure to adequately manage the risks arising in connection with legal and regulatory issues, including the Group's obligations under existing applicable laws and regulations or its contractual obligations, including arrangements with its customers and suppliers, or failure to properly implement applicable laws and regulations could result in significant loss or damage including reputational damage, all of which could have a material adverse effect on the Group's operations, financial condition and prospects.

Additionally, the current regulatory environment, with the continuing heightened supervisory focus, combined with the forthcoming regulatory change initiatives, will lead to material operational and compliance costs. Relevant risks include:

- Regulators, agencies and authorities with jurisdiction over the Group, including the BoE, the PRA and the FCA, HMT, HM Revenue & Customs ("**HMRC**"), the CMA, the Information Commissioner's Office, the FOS, the PSR, the SFO, the National Crime Agency ("**NCA**"), the OFSI or the courts, may determine that certain aspects of the Group's business have not been or are not being conducted in compliance with applicable laws or regulations (or that policies and procedures are inadequate to ensure compliance), or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. Changes in policy, laws and regulations including in relation to SME dispute resolution and liability for APP fraud and unauthorised payment fraud, may have significant consequences and lead to material implementation, operational and compliance costs.

- An adverse finding by a regulator, agency or authority could result in the need for extensive changes in systems and controls, business policies, and practices coupled with suspension of sales, restrictions on conduct of business and operations, withdrawal of services, customer redress, fines and reputational damage.

- The increased focus on competition law in financial services and concurrent competition enforcement powers for the FCA and PSR may increase the likelihood of competition law related inquiries or investigations initiated by either the CMA or these authorities. The Group may be liable for damages to third parties harmed by the Group's conduct of business. For competition law, there are efforts by governments across Europe to promote private enforcement as a means of obtaining redress for harm suffered as a result of competition law breaches. Under the Consumer Rights Act 2015, there is scope for class actions to be used to allow the claims of a whole class of claimants to be heard in a single action in both follow-on and standalone competition cases. The UK has seen a sharp increase in recent years in the number of class action claims being issued in the Competition Appeals Tribunal on this basis.

- The alleged historical or current mis-selling of, or misconduct in relation to, financial products, including the alleged mis-selling of Payment Protection Insurance ("**PPI**"), the alleged overcharging of interest, the alleged inappropriate sale of interest-only mortgages, the alleged unfair use of the standard variable rate in connection with mortgages the alleged non-disclosure of commission, including auto finance related commission giving rise to an alleged unfair relationship, or alleged misconduct as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, has given rise to and may in the future give rise to a risk of complaints to FOS and/or civil litigation (including claims management company driven legal or complaints campaigns) (see Note 31 in the 2023 Annual Report for further details of legal actions and regulatory matters involving the Group). Such matters may in the future give rise to the risk of regulatory enforcement action requiring the Group to amend sales processes, withdraw products or provide restitution to affected customers, any of which may require additional provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products.

- The Group may have held and may continue to hold bank accounts for entities or have relationships with entities such as third parties that might be or are subject to scrutiny from various regulators and authorities, including the SFO, the NCA and regulators in the U.S. and elsewhere, which has led and could in the future lead to the Group's conduct being reviewed as part of any such scrutiny.

- The Group is (and will continue from time to time to be) subject to certain legal or regulatory investigations, inquiries and proceedings, both civil and criminal including in connection with the Group's lending and payment activities, treatment of customers, relationships with the Group's employees, financial crime, and other commercial or tax matters (see Note 31 in the 2023 Annual Report for further details of legal actions and regulatory matters involving the Group). These may be brought against the Group under UK legal or regulatory processes, or under legal or regulatory processes in other jurisdictions, such as the EU and the U.S., in circumstances where overseas regulators and authorities may have jurisdiction by virtue of its activities or operations.

- In view of the inherent difficulty of predicting the outcome of legal or regulatory proceedings, particularly where opportunistic claimants seek very large or indeterminate damages, cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, or where the approaches of regulators or authorities to legal or regulatory issues and sanctions applied are subject to change, the Group cannot state with confidence what the eventual outcome of any pending matters will be and any such pending matters are not disclosed by name because they are under assessment. The Group's provisions in respect of any pending legal or regulatory proceedings are made in accordance with relevant accounting requirements. These provisions are reviewed periodically. However, in light of the uncertainties involved in such legal or regulatory proceedings, there can be no assurance that the ultimate resolution of these matters will not exceed the provisions currently accrued by the Group. As a result, the outcome of a particular matter (whether currently provided or otherwise) could have a material adverse effect on the Group's operations, financial condition and prospects.

- The developing legal and regulatory regime in which the Group operates requires it to be compliant across all aspects of its business, including the training, authorisation and supervision of personnel and the development of systems, processes and documentation. If the Group fails to be compliant with relevant law or regulation, there is a risk of an adverse impact on its business from more proactive regulatory intervention (including by any overseas regulator which establishes jurisdiction), investigation and enforcement activity leading to sanctions, fines, civil or criminal penalties, or other action imposed by or agreed with the regulatory authorities, as well as increased costs associated with responding to regulatory inquiries and defending regulatory actions. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss for example as a result of the mis-selling of a particular product, or through incorrect application or enforcement of the terms and conditions of a particular product or in connection with a competition law infringement and the Group's rights under a contract with its customers may in certain circumstances be unenforceable or otherwise impaired.

- The Financial Services and Markets Act 2000 (Designated Consumer Bodies) Order 2013 (the "**Designated Consumer Bodies Order**") was made on 16 December 2013 and came into force on 1 January 2014. The Designated Consumer Bodies Order designates the National Association of Citizens Advice Bureaux, the Consumers' Association, the General Consumer Council for Northern Ireland and the National Federation of Self Employed and Small Businesses as consumer bodies that may submit a 'super-complaint' to the FCA. A 'super-complaint' is a complaint made by any of these designated consumer bodies to the FCA on behalf of consumers of financial services where it considers that a feature, or a combination of features, of the market for financial services in the UK is seriously damaging the interests of these customers. Complaints about damage to the interests of individual consumers will continue to be dealt with by the FOS. If a 'super-complaint' were to be made against a Group entity by a designated consumer body under the Designated Consumer Bodies Order, any response published or action taken by the FCA could have a material adverse effect on the Group's operations, financial condition and prospects.

- Given the: (i) requirement for compliance with an increasing volume of relevant laws and regulations; (ii) more proactive regulatory intervention and enforcement and more punitive sanctions and penalties for infringement; (iii) inherent unpredictability of litigation; (iv) evolution of the jurisdiction of FOS and CMA and related impacts; (v) development of a voluntary dispute resolution service to oversee the resolution of historic complaints from SMEs that meet the relevant eligibility criteria and new complaints from SMEs that would be outside the FOS' proposed revised jurisdiction; (vi) introduction of a voluntary code to enhance protection for customers who are victims of APP fraud; and (vii) high volume of new regulations or policy changes from multiple regulators and authorities which the Group is mandated to implement within compressed timescales; it is possible that related costs or liabilities could have a material adverse effect on the Group's operations, financial condition and prospects.

Operational risks

Failure to successfully apply or to improve the Group's credit risk management systems could have a material adverse effect on the Group's operations, financial condition and prospects

As a commercial banking group, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of the Group's credit risk management system is to employ the Group's own credit rating system to assess the particular risk profile of a customer. This system is primarily generated internally, but, in the case of counterparties with a global presence, also builds off the credit assessment assigned by other Banco Santander Group members. As this process involves detailed analysis of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human and IT systems errors.

Where exercising their judgment on current or future credit risk behaviour of the Group's customers, the Group's employees may not always be able to assign a correct credit rating, which may result in a larger exposure to higher credit risks than indicated by the Group's risk rating system. The Group may not be able to detect all possible risks before they occur, or its employees may not be able to effectively apply its credit policies and guidelines due to limited tools available to the Group, which may increase its credit risk.

Any failure to effectively apply, consistently monitor and refine the Group's credit risk management systems may result in an increase in the level of non-performing loans and higher losses than expected, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's business is subject to risks related to data and adverse impacts on its operations if data management policies and procedures are not sufficiently robust

The Group's operations rely on the effective use of data to manage and grow its business and deliver the overall strategy. The Group uses data to serve its customers, satisfy its regulatory requirements and run its operations. If the Group's data is not accurate and timely, this could impact its ability to serve customers, operate with resiliency or meet regulatory requirements. From a business perspective, accurate and detailed customer data is critical for delivering customer expectations in terms of new and improved products and services. Lack of good quality data could also result in competitive disadvantages by increasing costs in terms of manual interventions, adjustments, and reconciliations. Investment is continuously being made in data tools and in maturing a strong data culture across the organisation to address some of the data challenges and prepare a strong foundation for the future. Any such failure to effectively use data or maintain effective data management policy and procedures could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's business is subject to risks related to cybersecurity

The Group's systems, software and networks, may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. The interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm, and therefore have a material adverse impact on the Group's operations, financial condition and prospects.

In particular, in recent years the computer systems of companies and organisations have been targeted by cyber criminals, activists and nation-state-sponsored groups. Like other financial institutions, the Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Consequently, the Group has been, and continues to be, subject to a range of cybersecurity threats, such as ransomware, malware via the supply chain, phishing and denial of service.

Cybersecurity incidents could result in the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cybersecurity incidents could give rise to the disablement of the Group's digital systems used to service its customers. Any material disruption or degradation of the Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to the Group's clients with delays or errors, which could reduce demand for the Group's services and products. As attempted attacks continue to evolve in both scope and sophistication, the Group may incur significant costs to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating any cybersecurity incidents to its customers. If the Group fails to effectively manage its cybersecurity risk, by, for example, failing to adhere to its cybersecurity policies, procedures or controls, the impact could be significant and may include harm to the Group's reputation and make the Group liable for the payment of customer compensation, regulatory penalties and fines. Factors such as failing to apply critical security patches from its technology providers, to manage out obsolete technology or to update the Group's processes in response to new threats could also give rise to these consequences, which, if they occur, could have a material adverse effect on the Group's operations, financial condition and prospects. This might also include significant increases in the premiums paid on cyber insurance policies or changes to policy limits and cover.

In addition, the Group may also be affected by cybersecurity incidents against national critical infrastructures in the UK or elsewhere, for example, the telecommunications network or cloud computing service providers used by the Group. In common with other financial institutions the Group is dependent on such networks to provide digital banking services to its customers, connect its systems to suppliers and counterparties, and allow its staff to work remotely. Any cybersecurity incidents against these networks could negatively affect its ability to service its customers. As the Group does not operate these networks it has limited ability to protect the Group's business from the adverse effects of cybersecurity incidents against it or against its counterparties and key national and financial market infrastructure. Further, the domestic and global financial services industry, including key financial market infrastructure, may be the target of cybersecurity disruption and attack by cyber criminals, activists or geopolitical activists looking to cause economic instability.

The Group is exposed to risk from potential non-compliance with regulations, policies, employee misconduct, human error, negligence and deliberate acts of harm or dishonesty, including fraud

The Group is exposed to risk from potential non-compliance with policies, employee misconduct, human error, negligence and deliberate acts of harm or dishonesty, including fraud. It is not always possible to deter or prevent employee misconduct or non-compliance with policies and such errors, acts, omissions and failures and the precautions the Group takes to detect and prevent this activity may not always be effective. Any instances could result in regulatory sanctions and cause reputational or financial harm, and therefore have a material adverse effect on the Group's operations, financial condition and prospects.

Any failure to effectively manage changes in the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group's operations, financial condition and prospects

The Group's businesses and its ability to remain competitive depends to a significant extent upon the functionality of its information technology systems and on its ability to upgrade, evolve and expand the capacity of its information technology infrastructure on a timely and cost-effective basis. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service, financial crime, conduct and compliance and other information technology systems, as well as the communication networks between branches and main data processing centres, are critical to its customers, businesses and its ability to compete. Investments and improvements in the Group's information technology infrastructure are regularly reviewed with a view to retain competitive advantage and to ensure that resilience remains within acceptable levels. Conversely, any failure to effectively improve, evolve, expand or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group's operations, financial condition and prospects and could cause reputational damage to the Group.

From time to time the Group is required to migrate information relating to its customers to new information technology systems. Any failure to manage such migration effectively and efficiently could have a negative impact on the Group's ability to provide services to its customers and could cause financial and reputational damage to the Group, along with regulatory scrutiny and potential enforcement action.

The Group expects changes to its programmes of systems to have an impact on its risk profile, from a technology, environmental, social and corporate governance and regulatory perspective. Whether it is the opportunities from adoption of cloud technology, systems to support important regulatory initiatives, or the desire to identify, prioritise and remove obsolete systems from operations, the operational risk associated with changes to programmes of systems is likely to increase and this will therefore remain an area of key focus in the Group's risk management. While internal controls aim to reduce the risk to acceptable levels, there can be no assurance that the Group will not suffer material losses from such operational risks in the future, which could have a material adverse impact on the Group's operations, financial condition and prospects.

The Group may be exposed to unidentified or unanticipated risks despite its risk management policies, procedures and methods and may be exposed to risk related to errors in the Group's risk modelling

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of risk reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques and strategies, they may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit its ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material, unanticipated losses. The Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that include errors or are otherwise inadequately developed, implemented or used, or as a result of the modelled outcome being misunderstood. If existing or potential customers or counterparties believe its risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Group. These occurrences could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group relies on third parties for important infrastructure support, products and services

Third-party providers provide key components of the Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third-party providers is a source of operational risk, including with respect to security breaches affecting the Group's third parties and other parties that interact with these providers. As the use and depth of the Group's relationship with third parties increases, including the use of artificial intelligence and cloud-based services, the Group increasingly faces the risk of operational failure with respect to its systems. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. In addition, any problems caused by these third parties, including as a result of them not providing the Group their services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage, litigation and regulatory investigations and intervention. Replacing these third-party vendors or affiliates could also entail significant delays and expense. Further, the operational and regulatory risk the Group faces as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Group and entail significant delivery and execution risk which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel

The Group's continued success depends in part on the continued service of key members of its senior executive team and other key employees. The ability to continue to attract, develop, train, motivate and retain highly qualified and talented professionals is a key element of the Group's strategy. The successful implementation of the Group's strategy depends on the availability of skilled and appropriate management, both at the Group's head office and in each of its business units. There is also an increasing demand for the Group to hire individuals with STEM (science, technology, engineering and mathematics) skills. Such individuals are very sought after by all organisations, not just the banking industry, and thus the Group's ability to attract and hire this talent will determine how quickly the bank is able to respond to technological change. In light of a shortage of skills currently being seen across the UK, it is increasingly challenging to recruit and retain talent for all roles, with subject matter expert and technology roles offering the biggest challenges.

If the Group fails to staff its operations appropriately or loses one or more of its key senior executives or other key employees and fails to replace them in a satisfactory and timely manner, it could have a material adverse effect on the Group's operations, financial condition and prospects.

In addition, the financial services industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Group's ability to hire or retain the most qualified employees. If the Group fails or is unable to attract and appropriately develop, motivate and retain qualified professionals, it could have a material adverse effect on the Group's operations, financial condition and prospects.

Financial reporting risk

The Group's financial statements are based in part on judgments and accounting estimates which, if inaccurate, could cause material misstatement of the Group's future financial results and financial condition

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has been no change in the inherent sensitivity of the areas of judgement in the period. Management has considered the impact of developments in principal risks and uncertainties, as set out in the Risk review, on critical judgements and accounting estimates.

The significant judgements, apart from those involving estimation, made by management in applying the Group's accounting policies in the financial statements (key judgements) and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year (key estimates), which together are considered critical to the Group's results and financial position, are set out in Note 1 of the 2023 Annual Report in 'Critical judgements and accounting estimates'. Any material differences between estimates and actual results reported in any given financial period, or any material adjustments to the carrying amount of assets and liabilities, could result in reputational damage to the Group and could have a material adverse effect on the Group's future financial results and financial condition.

Changes in accounting standards could affect reported earnings

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's consolidated financial statements. These changes can materially affect how the Group records and reports its financial condition and financial results. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Any change in reported earnings as a result of the foregoing could have a material adverse effect on the Group's future financial results and financial condition.

Risks relating to the Securities

Set out below is a brief description of certain risks relating to the Securities, including given their particular features.

The Issuer may at any time elect, and in certain circumstances shall be required, to cancel Distribution payments on the Securities

The Issuer may at any time elect, in its sole and full discretion, to cancel any Distribution payment (in whole or in part) on the Securities which would otherwise be due on any Distribution Payment Date. Furthermore, the Issuer shall be required to cancel any Distribution payment (in whole or in part) which would otherwise fall due on a Distribution Payment Date if and to the extent that payment of such Distribution would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Issuer or when aggregated with other relevant distributions, cause any maximum distributable amount then applicable to the Issuer to be exceeded. Furthermore, all payments in respect of or arising from the Securities are subject to the satisfaction of the solvency condition described in Condition 3.1. Additionally, the Regulator has the power under sections 55M and 192C of the FSMA to restrict or prohibit payments by an issuer of distributions to holders of additional tier 1 instruments (such as the Securities). These risks are further discussed in the following four risk factors.

If a Loss Absorption Event occurs, all accrued and unpaid Distributions will be cancelled. See further the risk factor entitled "*The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions cancelled if a Loss Absorption Event occurs*".

Distribution payments on the Securities are discretionary and the Issuer may cancel Distribution payments, in whole or in part, at any time. Cancelled Distributions will not be due and will not accumulate or be payable at any time thereafter and investors shall have no rights to receive such Distributions or any amount in lieu thereof

Distributions on the Securities will be due and payable only at the sole and full discretion of the Issuer. The Issuer will have absolute discretion at all times and for any or no reason to cancel any Distribution payment, in whole or in part, that would otherwise be payable on any Distribution Payment Date.

Distributions will only be due and payable on a Distribution Payment Date if and to the extent such Distributions are not cancelled in accordance with the terms of the Securities. If the Issuer cancels any scheduled Distribution payment, such Distribution payment will not be or become due and payable at any time thereafter, and accordingly non-payment of such Distribution (or any part thereof) will not constitute a default on the part of the Issuer for any purpose under the Securities. Therefore, in no event will Securityholders have any right to or claim against the Issuer with respect to the amount of such cancelled Distribution (or any amount in lieu thereof) or be able to accelerate the principal of the Securities or take any other enforcement as a result of such Distribution cancellation. Accordingly, there can be no assurance that a Securityholder will receive Distribution payments in respect of the Securities.

Following cancellation of any Distribution payment in respect of the Securities, the Issuer will not be in any way limited or restricted from making any dividend, distribution, interest or equivalent payments on or in respect of any other liabilities or share capital of the Issuer, including dividend payments on the Issuer's ordinary shares. The Issuer may therefore cancel (in whole or in part) any Distribution payment on the Securities at its discretion and continue to pay dividends on its ordinary shares as well as making dividend or other payments on any preference shares, additional tier 1 instruments and other obligations of the Issuer, 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 Distributions 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.

In addition to the Issuer's right to cancel, in whole or in part, Distribution payments on the Securities at any time, the Conditions also restrict the Issuer from making Distribution 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 Distributions shall be cancelled

The Issuer shall cancel a Distribution payment (or part thereof) on the Securities on any Distribution Payment Date (and such Distribution payment or the relevant part thereof shall not become due and payable on such date) if and to the extent that payment of the same would, when aggregated together with any distributions on all other own funds instruments (excluding Tier 2 Capital instruments) which are paid or required to be paid in the then current financial year of the Issuer, exceed the amount of the Issuer's Distributable Items for such financial year.

Any Distribution (or part thereof) so cancelled shall not become due and such Distribution (or the relevant part thereof) shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional Distributions or compensation as a result of such cancellation. Furthermore, no cancellation of Distributions in accordance with the Conditions shall constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and holders of the Securities will not be entitled to accelerate the principal of the Securities or take any other enforcement action as a result of such Distribution cancellation.

See also the risk factor entitled "*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 Distributable Items is affected by a number of factors, and insufficient Distributable Items may restrict the Issuer's ability to make Distribution payments on the Securities*".

PRA rules include restrictions on the amount of certain distributions or payments that will affect the Issuer's ability to make Distribution payments on the Securities in certain circumstances. In addition, the PRA has the power under sections 55M and 192C of the FSMA to restrict or prohibit payments of Distributions by the Issuer to Securityholders

In addition to the requirements described under "*The Group is subject to regulatory capital, liquidity and leverage requirements that could limit its operations, and changes to these requirements may further limit and could have a material adverse effect on the Group's operations, financial condition and prospects*" above, 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 CET1 capital. The Group may from time to time be subject to the following Pillar 2A buffers: (i) the capital conservation buffer, (ii) an institution-specific counter-cyclical buffer

("**CCyB**"), (iii) the global systemically important institutions ("**G-SII**") buffer, and (iv) the other systemically important institutions ("**O-SII**") buffer. These buffers are referred to collectively as the "combined buffer requirement", which represents (in very broad terms) the sum of the capital conservation buffer, the institution-specific CCyB and the higher of the G-SII buffer and the O-SII buffer, in each case as applicable to the institution. The Group is currently subject to each of these buffers other than the G-SII buffer, alongside a separate PRA buffer (also referred to as Pillar 2B) which is set by the PRA on a confidential and institution-specific basis and takes account of the PRA's assessment of the Group's specific circumstances.

Both the PRA buffer and the combined buffer requirement must be met with CET1 capital, and this requirement applies in addition to Pillar 1 and Pillar 2A capital requirements. The PRA also expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. As a result, firms must hold CET1 capital well in excess of the minimum Pillar 1 requirement of 4.5 per cent of risk-weighted assets.

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 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 instruments such as the Securities.

Firms or groups which fail to meet the PRA buffer must notify the PRA as soon as possible and prepare a capital restoration plan. Such firms would usually be subject to enhanced supervisory scrutiny and may be subject to restrictions on their ability to make distributions.

By contrast, firms or groups which fail to meet the applicable combined buffer requirement 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 CET1 capital 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 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) Distribution payments in respect of the Securities.

Firms or groups 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 or group does not hold an amount of CET1 capital that is equal to or greater than its countercyclical leverage ratio buffer ("**CCLB**") (currently calibrated at 35 per cent. of the institution-specific CCyB) or its additional leverage ratio buffer ("**ALRB**") (currently calibrated at 35 per cent. of the G-SII or O-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.

In addition, the PRA has the power under sections 55M and 192C of the FSMA 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 Distribution 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, the holding companies of UK banks (including the Issuer) are subject to a PRA approval regime and direct supervision by the PRA in relation to certain matters relating to consolidated supervision. As a result, the PRA has powers to enforce the Issuer's compliance with the Group's consolidated and sub-consolidated prudential requirements.

The Issuer's capital and MREL 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. Furthermore, 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, also remain uncertain in many respects. Changes to these rules could also result in more own funds and eligible liabilities being required to be held 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 instruments such as the Securities may be reduced.

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 3.1 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. Non-payment of any Distributions or principal as a result of the solvency condition in Condition 3.1 not being satisfied shall not constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and holders of the Securities will not be entitled to accelerate the principal of the Securities or take any other enforcement as a result of any such non-payment.

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 Distributable Items is affected by a number of factors, and insufficient Distributable Items may restrict the Issuer's ability to make Distribution payments on the Securities

As a holding company, the Issuer relies upon its operating subsidiaries to distribute or dividend profits up the Group structure to the Issuer, including after liabilities to the creditors of the operating subsidiaries have been paid. Accordingly, the investors in the Securities will be structurally subordinated to creditors of the operating subsidiaries of the Issuer (in addition to being subordinated within the Issuer's creditor hierarchy as further discussed below under the risk factor entitled "*The Securities are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Securities may lose their entire investment in the Securities*")

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 Distribution payments, are a function of the Issuer's existing Distributable Items, the Group's operating profits and distributions to the Issuer from its operating subsidiaries. In addition, the Issuer's Distributable Items may also be adversely affected by the servicing of senior-ranking obligations.

The ability of the Issuer's subsidiaries to pay dividends and the Issuer's ability to receive distributions 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 and distributions to the Issuer by the Issuer's subsidiaries, and to the extent that the Issuer is dependent on the receipt of such dividends and distributions as opposed to other sources of income, such as interest and other payments from its subsidiaries, this could in turn 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 assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors, except to the extent that the Issuer may be a creditor with recognised claims ranking ahead of, or *pari passu* with, such prior claims against such subsidiary. The Issuer's obligation to make payments on the Securities is solely an obligations of the Issuer and will not be guaranteed by any of its subsidiaries or associates.

The terms of some loans or investments that may be made by the Issuer in capital instruments or relevant internal liabilities issued by its subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition or viability of such subsidiary and/or other entities in the Group or the taking of certain actions under the relevant statutory or regulatory powers (including the write-down or conversion of own funds instruments or relevant internal liabilities, or certain entities being the subject of resolution proceedings), would, subject to certain conditions, result in a write-down of the claim or a change in the ranking and type of claim that the Issuer has against such subsidiary. Such loans to and investments in the Issuer's subsidiaries may also be subject to the exercise of the regulatory capital write-down and conversion power or the bail-in power. See also the risk factor entitled "*The Securities may be subject to statutory bail-in or write down powers under the Banking Act and the BRRD*".

The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions will be cancelled if a Loss Absorption Event occurs

Under the terms of the Securities, if at any time a Loss Absorption Event occurs, all accrued and unpaid Distributions will be cancelled and the entire principal amount of the Securities will be written down to zero on a permanent basis and cancelled. In such circumstances, the Securityholders will have no rights or claims against the Issuer with respect to the principal amount of the Securities, any Distributions or any other amounts under or in respect of the Securities at any time thereafter, whether in a winding-up of the Issuer or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Securities at any time. Accordingly, if a Loss Absorption Event occurs, holders of the Securities will lose their entire investment in the Securities.

A Loss Absorption Event will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. The Common Equity Tier 1 Capital Ratio will be calculated on a consolidated basis and without applying any transitional provisions set out in Part Ten of the Capital Requirements Regulation and otherwise in accordance with the applicable prudential rules as at such date. The following two risk factors include discussion of certain risks associated with the determination of the Group's Common Equity Tier 1 Capital Ratio.

In addition, the market price of the Securities is expected to be affected by fluctuations in the Group's Common Equity Tier 1 Capital Ratio. Any reduction in the Group's Common Equity Tier 1 Capital Ratio may have an adverse effect on the market price of the Securities, and such adverse effect may be particularly significant if there is any indication or expectation that the Group's Common Equity Tier 1 Capital Ratio is or is near 7 per cent. This could also result in reduced liquidity and/or increased volatility of the market price of the Securities.

The circumstances surrounding or triggering an Automatic Write Down are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no obligation to operate its businesses in such a way, or take any mitigating actions, to maintain or restore the Group's Common Equity Tier 1 Capital Ratio to avoid a Loss Absorption Event and actions the Group takes could result in the Group's Common Equity Tier 1 Capital Ratio falling

The occurrence of a Loss Absorption Event and, therefore, an Automatic Write Down, 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 "end point" Common Equity Tier 1 Capital Ratio (i.e. on a consolidated basis and without applying the transitional provisions set out in Part Ten of the Capital Requirements Regulation) only as of each quarterly period end, the Loss Absorption Event will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. As such, an Automatic Write Down could occur at any time.

The calculation of the Common Equity Tier 1 Capital Ratio of the Group could be affected by, among other things, the growth of the Group's business and the Group's future earnings, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including CET1 capital and Risk Weighted Assets (each of which shall be calculated by the Issuer on an end-point, consolidated basis)), actions that the Issuer or its regulated subsidiaries are required to take at the direction of the Regulator and the Group's ability to manage Risk Weighted Assets in both its on-going businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in relevant foreign exchange rates will result in changes in the sterling equivalent value of capital resources and risk weighted assets in the relevant foreign currency. 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 contractual obligation to increase the Group's Common Equity Tier 1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way, take mitigating actions in order to prevent the Group's Common Equity Tier 1 Capital Ratio from falling below 7 per cent., to maintain or increase the Group's Common Equity Tier 1 Capital Ratio or otherwise to 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 Regulator 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 a Loss Absorption 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, an Automatic Write Down could occur. Accordingly, the trading behaviour of any Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including any other subordinated debt securities which may be issued by the Issuer in the future. Fluctuations in the Common Equity Tier 1 Capital Ratio of the Group may be caused by changes in the amount of Common Equity Tier 1 Capital of the Group and its Risk Weighted Assets, as well as changes to their respective definitions or method of calculation (including as to the application of adjustments and deductions) under the Capital Rules applicable to the Issuer.

Any indication or expectation that the Group's Common Equity Tier 1 Capital Ratio is moving towards the level which would cause the occurrence of a Loss Absorption Event can be expected to 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 other subordinated debt securities.

Future regulatory changes to the calculation of CET1 capital or Risk Weighted Assets may negatively affect the Group's Common Equity Tier 1 Capital Ratio, increasing the risk of a Loss Absorption Event and an Automatic Write Down

Under CRD IV, the Group is required to calculate its consolidated capital resources for regulatory purposes on the basis of "common equity Tier 1 capital". CRD IV requirements adopted in the UK may change, whether as a result of changes to domestic legislation, its integration within rules made by the PRA as part of the ongoing domestication of the EU aquis or changes to the way in which the PRA interprets and applies these requirements to UK banks or otherwise (including as regards individual model approvals granted by the PRA). Additionally, the UK's capital requirements regime may be determined by reference to other applicable capital frameworks in the future. In particular, in December 2017, "Basel III: Finalising post-crisis reforms" was published, setting out the Basel Committee's finalisation of the Basel III framework. Broadly, the finalised package of Basel III regulatory reforms aims to: (i) strengthen risk sensitivity and comparability in credit risk by adopting minimum "input" floors for certain metrics; (ii) introduce a standardised approach to credit valuation adjustment risk; (iii) introduce a standardised approach to operational risk; (iv) provide safeguards against unsustainable levels of leverage by adding a leverage ratio buffer for global systemically important banks; and (v) ensure that banks' "output" floors can be calculated as being 72.5 per cent. of total risk weighted assets. In the UK, the PRA intends for these reforms (known as Basel 3.1), to the extent not already integrated within the prudential regime, to come into force on 1 July 2025, with the requirements relating to the output floor phased in over a four-and-a-half year period ending on 1 January 2030. These changes are expected to be reflected in amendments to PRA rules that apply to the Issuer and the Group.

Any such proposals and resulting changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated . See the risk factor entitled "*The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions will be cancelled if a Loss Absorption Event occurs*".

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 a Loss Absorption Event, which will lead to an Automatic Write Down.

The Securities may be subject to statutory bail-in, write down and/or conversion powers under the Banking Act, which may result in Securityholders losing some or all of their investment

As described in the risk factor entitled "*The Group may become subject to the provisions of the Banking Act, including ball-in and write down powers*" above, the BRRD bail-in power has been implemented in the UK. The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution's shareholders and unsecured creditors subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power (known as "no creditor worse off"). The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts (including changes to the maturity of instruments or the interest rate under such instruments) for the purposes of reducing or deferring the liabilities (including suspension of payments for a certain period) of a relevant institution under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the relevant institution.

The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and respecting the hierarchy of claims in an ordinary insolvency. In addition, as mentioned above, the bail-in tool contains an express safeguard with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity.

The Securities are a liability which could be cancelled, written down (in whole or in part) or converted pursuant to the exercise of the bail-in power. In accordance with the insolvency treatment principles described in the risk factor entitled "*The Group may become subject to the provisions of the Banking Act, including ball-in and write down powers*" above, the Securities would be amongst the first of the Issuer's obligations to bear losses through write-down or conversion to equity pursuant to the exercise of the bail-in power because in the event of the insolvency of the Issuer, the claims in respect of the Securities would rank behind all other claims other than claims in respect of share capital of the Issuer.

The BRRD also contains a mandatory write down power which required implementing states to grant powers to resolution authorities to recapitalise institutions that are at the point of non-viability by permanently writing down, *inter alia*, capital instruments such as the Securities, or converting those capital instruments into shares. The mandatory write down provision has been implemented in the UK through the Banking Act, and would apply to the Securities. Before, or simultaneously with, taking any form of resolution action or applying any resolution power set out in the Banking Act, the UK resolution authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert into CET1 capital instruments, capital instruments such as the Securities. These measures could be applied to the Securities.

In contrast to the creditor protections afforded in the event of the bail-in powers being exercised, holders of the Securities would not be entitled to the 'no creditor worse off' protections under the Banking Act in the event that the Securities are written down or converted to equity under the mandatory write-down tool (unless the mandatory write-down tool were to be used alongside a bail in). Furthermore, if the Securities were to be converted into equity securities by application of the mandatory write-down tool, those equity securities may be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the investors therein.

The exercise of such bail-in, write down or conversion powers, or any suggestion of such exercise could, therefore, materially adversely affect the rights of Securityholders, the price or value of their investment in any Securities and/or the ability of the Issuer to satisfy its obligations under the Securities.

The Securities are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Securities may lose their entire investment in the Securities

The Issuer's payment obligations under the Securities will be unsecured and will be deeply subordinated (i) on a winding-up of the Issuer, and (ii) in the event that an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of unsubordinated creditors of the Issuer and claims in respect of any subordinated indebtedness of the Issuer (other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Securities). The Securities represent the most junior-ranking claim in a winding-up or administration of the Issuer other than claims in respect of the ordinary share capital of the Issuer.

Accordingly, in the event of a winding-up or administration of the Issuer, the assets of the Issuer would first be applied in satisfying all senior-ranking claims in full, and payments would be made to holders of the Securities, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If, in such circumstances, the Issuer's assets are insufficient to meet all its obligations to senior-ranking creditors, the holders of the Securities will lose their entire investment in the Securities, or if there are sufficient assets to meet all senior-ranking claims but not all claims in respect of the Securities and *pari passu* liabilities, the holders of the Securities will lose some (which may be substantially all) of their investment in the Securities. As a deeply subordinated instrument, if the Issuer enters into a winding-up or administration due to insolvency, there is a significant risk that investors would lose all of their investment in the Securities.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Securities and accordingly, the Issuer may at any time incur or issue further debt or securities which rank senior to, or *pari passu* with, the Securities. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Securityholders on a winding-up or administration of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Securities. Investors in the Securities may find it difficult to sell their Securities in such circumstances, or may only be able to sell their Securities at a price which may be significantly lower than the price at which they purchased their Securities. In such a sale, investors may lose some or substantially all of their investment in the Securities, whether or not the Issuer is wound up or enters into administration. Further, trading behaviour in relation to the securities of the Issuer (including the Securities), including market prices and volatility, is likely to be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, the Securities may not follow the trading behaviour associated with other types of securities.

The relative ranking of creditors in a winding-up or administration of the Issuer will also determine the order in which losses are incurred in the event of exercise of the write-down and conversion of capital instruments power and/or the bail-in power in the event that the UK resolution authorities exercise powers under the Banking Act.

Although the Securities may potentially pay a higher rate of Distribution (but subject always to the discretion of and, in certain circumstances, requirement on the Issuer to cancel Distributions as previously described in these risk factors) than comparable Securities which are not subordinated, there is a real risk that an investor in the Securities will lose all or some of its investment should the Issuer become insolvent.

The Securities have no scheduled maturity and Securityholders only have a limited ability to cash in their investment in the Securities

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 6, the Issuer may elect in its sole discretion to redeem or purchase 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 option to cash in their investment except by selling their Securities in the secondary market. See the risk factor entitled "*The Securities may have no established trading market when issued and are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Securities*" below.

Waiver of set-off etc.

Securityholders waive any rights of set-off, netting, compensation and retention in relation to the Securities insofar as permitted by applicable law.

Redemption of the Securities is at all times at the discretion of the Issuer, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Securities.

The Securities may, subject as provided in Condition 6, be redeemed at the sole discretion of the Issuer (i) on any day falling in the period commencing on (and including) 24 June 2029 and ending on (and including) the First Reset Date or on any Distribution Payment Date subsequent to the First Reset Date, or (ii) if a Tax Event or Regulatory Capital Event occurs, as further provided in Conditions 6.3 and 6.4, respectively. Any such redemption will be at the principal amount of the Securities together with any unpaid Distributions from the then most recent Distribution Payment Date (but excluding any Distributions which have been cancelled in accordance with the Conditions).

The Issuer's right to redeem is subject to the prior consent of the Regulator and other conditions specified in the Conditions. Subject to satisfaction of those conditions, the Issuer may choose to redeem the Securities at times when prevailing interest rates offer a cheaper cost of funding to the Issuer than the relevant Distribution Rate then applicable to the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the Distribution Rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

An optional redemption feature in relation to any security is likely to limit its market value. During any period when the Issuer may 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. This may also be true prior to any redemption period.

The Distribution Rate on the Securities will be reset on each Reset Date, which may impact the market price of the Securities

The Securities will bear Distributions at a fixed rate, reset on five-year intervals on each Reset Date by reference to the Mid-Swap Rate for the relevant Reset Period plus the Margin (being the initial credit spread on the Securities), adjusted for quarterly payments, all as specified in Condition 5.

The market price of securities bearing a fixed rate of interest may be adversely impacted by changes in prevailing market interest rates. In addition, the reset of the Distribution Rate in accordance with such provisions may affect the secondary market for, and the market value of, the Securities. Following any such reset of the Distribution Rate applicable to the Securities, the

Reset Rate on the Securities may be lower than the Initial Distribution Rate or any previous Reset Rates.

Reform of SONIA may impact the calculation of the Mid-Swap Rate for a Reset Period and may adversely affect the value and return of the Securities

Benchmark Regulation and reform

The Mid-Swap Rate used to calculate the Reset Distribution Rate on the First Reset Date and on each subsequent Reset Date is linked to SONIA, which is deemed a "benchmark".

The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation could have a material impact on the Securities, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

Reference rates and indices, including interest rate benchmarks such as SONIA, which are deemed to be "benchmarks" and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments, have, in recent years, been the subject of regulatory scrutiny and proposals for reform.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

Risks related to fallbacks

Investors should be aware that if the Mid-Swap Rate were discontinued or otherwise unavailable on any Reset Determination Date, the rate of interest on the Securities would be determined for the relevant period by the fallback provisions applicable to the Securities. The Conditions of the Securities provide for certain fallback arrangements in the event that a published benchmark, such as SONIA, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. These fallback arrangements may require or result in adjustments being made to the interest calculation provisions of the Conditions of the Securities. See the risk factor entitled "*The Trustee may agree to certain modifications to the Conditions and the transaction documents without the Securityholders' prior consent following a cessation or material disruption to a benchmark"* below.

Even prior to the implementation of any changes to any benchmark, or to the interest calculation provisions based on such benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect the operation of such benchmark during the term of the relevant Securities, as well as potentially adversely affecting both the return on any Securities which are linked to or which reference such benchmark and the trading market for such Securities.

In certain circumstances, the ultimate fallback for a Reset Period may result in the effective application of the Distribution Rate determined at the preceding Reset Date.

Any such consequences could have a material adverse effect on the value of and return on any such Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities. Investors should note that the Issuer will have discretion to select an Alternative Reference Rate to replace the Original Reference Rate and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (including, without limitation, the application of any spread(s) or adjustment(s)) to the extent there has been or there is reasonably expected to be a material disruption or cessation to the Original Reference Rate, in each case subject to the satisfaction of certain requirements, including receipt by the Trustee of a Reference Rate Modification Certificate, certifying, among other things, that the modification is required for its stated purpose, all as further described in Condition 12.2(c). Any such modification could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Securityholder, any such modification will be favourable to each Securityholder.

Investors should consider all of these matters when making their investment decision with respect to the Securities. See also the risk factor entitled "*The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect on the Group's operations, financial condition and prospects*" above.

The Trustee may agree to certain modifications to the Conditions and the transaction documents without the Securityholders' prior consent following a cessation or material disruption to a benchmark

In certain situations, including the relevant benchmark ceasing to be administered, the fallback arrangements referenced above will include the possibility that the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to an alternative rate determined by the Issuer, all as more fully described in the Conditions of the Securities.

Other than as described in the following paragraph, no consent of the Securityholders shall be required in connection with effecting any alternative reference rate and any other related adjustments and/or amendments to the Conditions of the Securities (or any other document) which are made in order to effect any alternative reference rate. Any such alternative reference rate and/or other related amendments to the Conditions of the Securities (or any other document), as applicable, shall be binding on the Securityholders regardless of whether or not they are materially prejudicial to the interests of the Securityholders.

The Issuer is required to give at least 30 calendar days' notice of any Reference Rate Modification and if Securityholders representing at least ten per cent. in aggregate nominal amount of the Securities for the time being outstanding have notified the Issuer within the applicable notification period that they do not consent to such Reference Rate Modification, then the relevant Reference Rate Modification will not be made unless it is sanctioned by an Extraordinary Resolution of the Securityholders pursuant to the Trust Deed.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates

The market continues to develop in relation to risk free rates, such as SONIA, as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates.

In particular, market participants and relevant working groups are exploring alternative references rates based on risk free rates, including term SONIA (which seeks to measure the market's forward expectation of an average SONIA over a designated term). As a result of the evolving nature of risk free rates, the market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions of the Securities. In addition, if SONIA does not prove to be widely used in securities such as the Securities, the trading price of the Securities may be lower than those securities referencing rates that are more widely used. The development of risk free rates could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Securities.

The BoE (or a successor), as administrator of SONIA, may also make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA (in which case, the fallback method of determining the Distribution Rate on the Securities will apply). The administrator has no obligation to consider the interests of Securityholders when calculating, adjusting, converting, revising or discontinuing SONIA.

The Mid-Swap Rate references a backwards-looking risk free rate and so is only capable of being determined at the end of the relevant observation period and immediately prior to the relevant Distribution Payment Date. It may be difficult for investors in the Securities to reliably estimate the amount of interest which will be payable on the Securities. Investors should consider these matters when making their investment decision with respect to any such Securities.

The Securities may be traded with accrued Distributions, but under certain circumstances described above, such Distribution may be cancelled and not paid on the relevant Distribution Payment Date

Any Security may trade, and/or the prices for Securities may appear on any stock exchange or other market or trading systems, with accrued Distributions.

However, if a payment of Distributions on any date on which Distributions are payable is cancelled (in each case, in whole or in part) and thus is not due and payable, purchasers of such Securities will not be entitled to that Distribution payment (or the cancelled part thereof) on the relevant date. This may affect a Securityholder's ability to sell Securities in the secondary market.

The Conditions may be modified and certain decisions regarding the Securities may be made without the knowledge and consent of individual Securityholders

The Trust Deed constituting the Securities contains provisions for calling meetings of Securityholders to consider matters affecting their 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. The Trust Deed constituting the Securities also provides that, subject to the prior consent of the Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Securityholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the 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 Condition 12.

The Securities contain limited events of default and the remedies available thereunder are limited

The only events of default under the Conditions are where (i) the Issuer fails to pay principal in respect of the Securities within seven days of the same having become due for payment, or (ii) the Issuer enters into a winding-up or administration (other than an Approved Winding-up). Investors should note that non-payment of Distributions which are cancelled under the Conditions does not constitute an event of default and will not entitle the Trustee or Securityholders to take any enforcement action. Non-payment of any Distribution or part thereof on a Distribution Payment Date will be evidence that the Issuer has elected or is required to cancel such Distribution (or the relevant part thereof).

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Securityholder for recovery of amounts in respect of the Securities will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer, in which case the claim shall be deeply subordinated as provided in Condition 4. The Trustee and the Securityholders may not take any further or other action to enforce, prove or claim for any payment in respect of the Securities.

The Securities may have no established trading market when issued and are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Securities

The Securities may have no established trading market when issued, and one may never develop. If a market does develop it may not be 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 the Securities.

Further, the Securities have not been, and will not be, registered under the Securities Act or any other securities laws. Accordingly, the Securities are subject to certain restrictions on the resale and other transfer thereof, which may further impact the development of a secondary market.

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 that may adversely affect the market price of the Securities. Publicly traded securities 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 and/or the Common Equity Tier 1 Capital Ratio of the Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable, or electing to direct the Issuer not, to pay Distributions on the Securities in full, or of an Automatic Write Down of the Securities occurring or the Securities otherwise becoming subject to loss absorption under the Conditions or the Banking Act. 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, including:

- variations in operating results in the Group's reporting periods;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Group's strategy is or may be less effective than previously assumed or that the Group is not effectively implementing any significant projects;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- actions taken by other issuers of Additional Tier 1 Capital Securities, including for example, an issuer's cancellation of an interest payment, could cause pressure on secondary market pricing of similar Additional Tier 1 Capital Securities;
- regulatory matters, including changes in regulations or PRA or FCA rules or requirements;
- economic, financial, political or regulatory events or judicial decisions that affect the Issuer or the financial markets generally;
- additions or departures of key personnel; and
- future issues or sales of Securities or other securities.

Any or all of these events could result in material fluctuations in the price of Securities which could lead to investors losing some or all of their investment if they elect to sell them.

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, although the Issuer and any subsidiary of the Issuer can (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Issuer or any member of the Group 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, Securityholders should be aware of global 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.

Although application has been made for the Securities to be admitted to trading on the ISM, there is no assurance that an active trading market will develop.

The Securities are not 'protected liabilities' for the purposes of any Government compensation scheme

The Financial Services Compensation Scheme ("**FSCS**") established under the FSMA 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.

A change of law may adversely affect Securityholders

The Conditions are based on English law in effect as at the date of issue of the 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 Securities.

If definitive Securities are issued, Securityholders should be aware that definitive Securities which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

The denominations of the Securities are £200,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Securities may be traded in the clearing systems in amounts in excess of £200,000 that are not integral multiples of £200,000. Should definitive Securities be required to be issued, they will be issued in principal amounts of £200,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Securityholders who hold Securities in the relevant clearing system in amounts that are less than £200,000.

If definitive Securities are issued, Securityholders should be aware that definitive Securities which have a denomination that is not an integral multiple of £200,000 may be illiquid and difficult to trade.

Because the Global Security will be held by or on behalf of Euroclear and Clearstream, Luxembourg investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Securities will upon issue be represented by interests in unrestricted and restricted global registered certificates, deposited and registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Certificates and interests therein will be traded only through Euroclear and/or Clearstream, Luxembourg, as the case may be, subject to the rules and regulations of such clearing system.

While Securities are represented by one or more Global Certificates, the Issuer will discharge its payment obligations under such Securities by making payments to or to the order of the relevant clearing system nominee and a holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system in which it holds such interest 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, interests in the Global Certificates.

Exchange rate risks and exchange controls may result in investors receiving less Distributions or principal than expected

The Issuer will pay principal and Distributions on Securities in pounds sterling. 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 pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling 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 pounds sterling would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) 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 Distributions or principal than expected, or no Distributions or principal.

Credit ratings may not reflect all risks relating to the Securities, and a reduction in credit ratings may adversely affect the market price of Securities

The Securities have been rated Ba1 (hyb) by Moody's, BBB- by Fitch and BB- by S&P. Ratings may not reflect the potential impact of all risks related to structure, market, conversion, regulatory capital write-down or conversion powers, bail-in resolution powers, 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 or withdrawn by the assigning rating agency at any time.

If a credit rating assigned to the Securities is lower than otherwise expected, or any such credit rating is lowered (whether as a result of a change in the financial condition of the Issuer or as a change in the ratings methodology applied by the relevant rating agency), the market price of the Securities may be adversely affected. Securities with lower ratings, in particular those securities that are not considered to be investment grade securities, will generally be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer or volatile markets could lead to a significant deterioration in market prices of below-investment grade rated securities.

Documents Incorporated by Reference

The following documents shall be incorporated in, and form part of, this Offering Memorandum:

(1) the Annual Report of the Issuer for the year ended 31 December 2023 (which includes the audited consolidated annual financial statements of the Issuer as of 31 December 2023 prepared in accordance with IFRS), excluding the sentence “Please refer to our latest filings with the SEC (including, without limitation, the Risk Factors section in this Annual Report on Form-20F for the year ended 31 December 2022) for a discussion of certain risk factors and forward-looking statements” on page 255; and

(2) the Annual Report of the Issuer for the year ended 31 December 2022 (which includes the audited consolidated annual financial statements of the Issuer as of 31 December 2022 prepared in accordance with IFRS), excluding the sentence “Please refer to our latest filings with the SEC (including, without limitation, the Risk Factors section in this Annual Report on Form-20F for the year ended 31 December 2022) for a discussion of certain risk factors and forward-looking statements” on page 271.

Any statement contained herein or 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 subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided, however, that such statement shall only form part of this Offering Memorandum to the extent that it is contained in a document all of the relevant portion of which is incorporated by reference by way of a supplementary Offering Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Offering Memorandum.

Copies of the documents incorporated by reference in this Offering Memorandum are available for viewing at: https://www.santander.co.uk/about-santander/investor-relations/santander-uk-group-holdings-plc.

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

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

Certain information contained in the documents listed above has not been incorporated by reference in this Offering Memorandum. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Securities or (ii) is covered elsewhere in this Offering Memorandum.

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.

Overview of the Principal Features of the Securities

The following overview refers to certain provisions of the terms and conditions of the Securities and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Memorandum. Terms which are defined in "Terms and Conditions of the Securities" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Securities".

Issue	£400,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities.
Issuer	Santander UK Group Holdings plc.
Issue Date	3 May 2024.
Trustee	The Law Debenture Trust Corporation p.l.c.
Status and Subordination	The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. As provided herein, the rights and claims of the Securityholders against the Issuer are subordinated in a winding-up or administration of the Issuer in accordance with Condition 4 and the provisions of the Trust Deed.
Distributions	The Securities will bear interest for the period from, and including, the Issue Date to, but excluding, 24 September 2029 at a fixed rate of 8.750 per cent. per annum. The Distribution Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next succeeding Reset Date thereafter, the Distribution Rate shall be the aggregate of 4.849 per cent. per annum and the Mid-Swap Rate for the relevant Reset Period determined in accordance with Condition 5.
Distribution Payment Dates	Distributions will be payable quarterly in arrear on the Distribution Payment Dates, subject to cancellation as provided herein, on 24 March, 24 June, 24 September and 24 December of each year, except that the Distributions payable (subject as aforesaid) on the first Distribution Payment Date (being 24 June 2024) shall be in respect of the short first Distribution Period from (and including) the Issue Date to (but excluding) 24 June 2024.
Cancellation of Distributions	The Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount (as defined herein) otherwise scheduled to be paid on any Distribution Payment Date or on any other date. Without prejudice to the preceding paragraph or the prohibition contained in Article 141(2) of the Capital Requirements Directive

(or any provision of applicable law implementing, transposing or replacing such Article 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) concerning the making of payments on the Securities before the Maximum Distributable Amount has been calculated, the Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that such Distribution Amount together with any Additional Amounts payable with respect thereto, when aggregated with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items.

Subject as provided herein, all payments in respect of or arising from the Securities (including Distributions and principal) are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately following payment.

*Whilst a breach by the Issuer of applicable capital buffer requirements will not necessarily result in the cancellation of Distribution Amounts, the Issuer will be required to cancel any Distribution Amount (in whole or in part) if and to the extent that payment of such Distribution Amount would, when aggregated together with other distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive (or any provision of applicable law implementing, transposing or replacing such Article 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), cause the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. "**Maximum Distributable Amount**" means any maximum distributable amount relating to the Group required to be calculated in accordance with Article 141 of the Capital Requirements Directive (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).*

All accrued and unpaid Distributions will also be cancelled if a Loss Absorption Event occurs (as further described herein).

The cancellation of any Distribution Amount (in whole or in part) shall not constitute a default for any purpose on the part of the Issuer and Distribution Amounts which are cancelled do not become due and are non-cumulative.

Benchmark discontinuation	In certain situations, including if SONIA ceases to be administered, an Alternative Reference Rate may be determined and certain other adjustments may be made to the Conditions to effect a Reference Rate Modification in respect of the Securities pursuant to Condition 12.2(c).
Perpetual Securities	The Securities are perpetual securities with no fixed redemption date, and the Securityholders have no right to require the Issuer to redeem or purchase the Securities at any time.
Redemption at the Option of the Issuer	The Issuer may, subject to (i) the Solvency Condition in Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions and upon notice to Securityholders, elect to redeem the Securities in whole, but not in part, on any day falling in the period commencing on (and including) 24 June 2029 and ending on (and including) the First Reset Date or on any Distribution Payment Date subsequent to the First Reset Date at their principal amount together with any accrued and unpaid Distributions to (but excluding) the date specified for redemption in accordance with Condition 6.3 (but excluding Distributions which have been cancelled in accordance with the Conditions).
Redemption at the Option of the Issuer upon occurrence of a Tax Event or a Regulatory Capital Event	The Issuer may, subject to (i) the Solvency Condition in Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions and upon notice to Securityholders, at any time elect to redeem the Securities in whole, but not in part, at their principal amount together with any accrued and unpaid Distributions to (but excluding) the date of redemption (but excluding Distributions which have been cancelled in accordance with the Condition), if a Tax Event or Regulatory Capital Event has occurred and is continuing (and, in the case of a Tax Event, the Issuer cannot avoid the consequences of such Tax Event by taking reasonable measures available to it). A "**Tax Event**" will occur if: (i) as a result of a Tax Law Change, in making any payments on the Securities, the Issuer will or would be required to pay Additional Amounts on the Securities; (ii) as a result of a Tax Law Change: (1) the Securities will or would no longer be treated as loan relationships for UK tax purposes; (2) the Issuer will not or would not be entitled to claim a deduction in respect of any payments (other than

the repayment of the principal amount of the Securities) in computing its taxation liabilities or the amount of the deduction would be materially reduced;

(3) the Issuer will not or would not, as a result of the Securities being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable UK tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist);

(4) the Issuer will or would, in the future, have to bring into account a taxable credit, taxable profit or the receipt of taxable income if the principal amount of the Securities were written down, on a permanent or temporary basis, or the Securities were converted into ordinary shares in the capital of the Issuer, or

(5) the Securities or any part thereof will or would become treated as a derivative or an embedded derivative for UK tax purposes.

A "**Regulatory Capital Event**" will occur if there is a change in the regulatory classification of the Securities occurring after the date of the issue of the Securities that does, or will, result in the Securities being fully or partially excluded from the Tier 1 Capital of the Group.

Loss Absorption Event If a Loss Absorption Event occurs at any time, and the occurrence of such Loss Absorption Event is determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator pursuant to Condition 7.4, the Issuer shall immediately notify the Regulator. On the following Business Day after (i) the Issuer has determined that a Loss Absorption Event has occurred; or (ii) the Issuer has received notice from the Regulator or its agent that a Loss Absorption Event has occurred, an Automatic Write Down shall occur, whereby all accrued and unpaid Distributions will be cancelled and the entire principal amount of the Securities will be written down to nil on a permanent basis and cancelled. In such circumstances, the Securityholders will have no rights or claims against the Issuer with respect to the principal amount of the Securities, any Distributions or any other amounts under or in respect of the Securities at any time thereafter, whether in a winding-up of the Issuer or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Securities at any time. Accordingly, if a Loss Absorption Event occurs, holders of the Securities will lose their entire investment in the Securities.

A "**Loss Absorption Event**" will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. The Common Equity Tier 1 Capital Ratio will be calculated on a consolidated basis (and without applying any transitional or phasing in provisions) and in accordance with the applicable prudential rules as at such date. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders.

Taxation

Payments on the Securities will be made without deduction or withholding for or on account of United Kingdom tax, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, in respect of the payment of any Distributions on (but not, for the avoidance of doubt, in respect of any principal of) the Securities, the Issuer will pay such additional amounts as shall be necessary in order that the amounts received by the Securityholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such Distributions on the Securities in the absence of the withholding or deduction ("**Additional Amounts**"), subject to some exceptions, as described in Condition 9.

Non-payment and Enforcement

If default is made for a period of seven days or more in the payment of any principal due in respect of the Securities or any of them, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 11.3), institute proceedings for the winding-up of the Issuer.

If at any time prior to the date on which an Automatic Write Down occurs, a winding-up (whether or not instituted by the Trustee as aforesaid and other than an Approved Winding-up) or administration of the Issuer shall occur where the administrator has given notice that it intends to declare and distribute a dividend, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary

Resolution shall (subject in each case to Condition 11.3), prove in the winding-up or administration of the Issuer.

No further or other action may be taken to enforce, prove or claim for any such payment.

Form and Denomination	The Securities will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof.
Listing	Application has been made to the London Stock Exchange plc for the Securities to be admitted to trading on the ISM with effect from 23 May 2024.
Ratings	The Securities have been rated Ba1 (hyb) by Moody's, BBB- by Fitch and BB- by S&P.
Governing Law	The Securities and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law.
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.
Selling Restrictions	The Securities have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold to investors located in the U.S. or to U.S. persons. The Securities may be sold in other jurisdictions (including the UK) only in compliance with applicable laws and regulations. See "*Subscription and Sale*".

Terms and Conditions of the Securities

The £400,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Securities**", which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 16 and forming a single series with the Securities) of Santander UK Group Holdings plc (the "**Issuer**") are constituted by a trust deed dated 3 May 2024 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities referred to below. An Agency Agreement dated 3 May 2024 (as amended or supplemented from time to time, the "**Agency Agreement**") was entered into in relation to the Securities between the Issuer, the Trustee and Citibank, N.A., London Branch as Principal Paying Agent, Calculation Agent and transfer agent (the "**Transfer Agent**"), and Citibank, N.A., London Branch as registrar (the "**Registrar**") (and the expressions Registrar and Transfer Agent shall include any successor registrar or transfer agent, respectively, appointed from time to time in connection with the Securities). The principal paying agent and any other paying agent(s) appointed under the Agency Agreement are referred to below respectively as the "**Principal Paying Agent**" and the "**Paying Agents**" (which expression shall include the Principal Paying Agent and any successor paying agent appointed from time to time in connection with the Securities). References herein to the "**Agents**" mean the Registrar, the Principal Paying Agent and the other Paying Agents, Transfer Agents and the Calculation Agent, unless the context otherwise admits. Copies of the Trust Deed and the Agency Agreement are available for inspection (i) during usual business hours and upon reasonable notice at the registered office of the Trustee (presently at 8th Floor, 100 Bishopsgate, London EC2N 4AG) or (ii) electronically on request by emailing the Trustee at Legal.Notices@lawdeb.com, and at the specified office of each of the Paying Agents.

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

Condition 19 contains certain defined terms used herein.

1. FORM, DENOMINATION, REGISTER AND TITLE

1.1 Form and Denomination

(a) The Securities will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof (each a "**Denomination**").

(b) The Securities will be initially represented by a Global Security which will represent the principal amount of the Securities for the time being outstanding.

(c) The Global Security will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg.

(d) The Global Security will be exchanged for Securities in definitive registered form ("**Definitive Securities**") only if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee and the Issuer is available, in which case a Securityholder may give notice to the Registrar and the Transfer Agent to exchange the Global Security for Definitive Securities.

(e) Any Definitive Securities issued in exchange for beneficial interests in the Global Security will be issued to and delivered to such persons or registered in such name or names, as the case may be, as the holder of the Global Security shall instruct the Registrar and the Transfer Agent. It is expected that such instructions will be based upon directions received by Euroclear and Clearstream, Luxembourg from Relevant Account Holders with respect to ownership of beneficial interests in the Global Security. Notice of the issue of Definitive Securities in the circumstances set out in paragraph (d) above will be given promptly by or on behalf of the Issuer to the Securityholders in accordance with Condition 17.

1.2 Register

(a) The Registrar will maintain the Register in respect of the Securities in accordance with the provisions of the Agency Agreement.

(b) The Global Security will be numbered with an identifying number which will be recorded on the Global Security and in the Register. If the Global Security is exchanged for Definitive Securities, such Definitive Securities will be serially numbered and issued in an aggregate principal amount equal to the principal amount outstanding of the Global Security and in registered form only.

1.3 Title

A Securityholder shall (to the fullest extent permitted by applicable law) be treated by the Issuer, the Trustee, the Paying Agents, the Registrar and the Transfer Agent as the absolute owner of such Security for all purposes (including the making of any payment) regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer) and no person shall be liable for so treating such Securityholder.

2. TRANSFERS

2.1 Transfers of interests in Securities generally

(a) Beneficial interests in the Global Security will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by Euroclear and Clearstream, Luxembourg in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the

Global Security will be limited to persons who maintain accounts with Euroclear and Clearstream, Luxembourg or persons who hold interests through such persons. In each case, the request for a transfer must include details of the accounts at Euroclear or Clearstream, Luxembourg, as the case may be, to be credited and debited, respectively, with the relevant interests in the Global Security.

(b) Title to the Securities shall pass by and upon registration in the Register. Subject as provided otherwise in this Condition 2, a Security may be transferred upon surrender of the relevant Security, with the endorsed form of transfer duly completed, at the specified office of the Registrar and the Transfer Agent, together with such evidence as the Registrar and the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may only be transferred in a whole Denomination.

(c) Securityholders may not require transfers of the Securities to be registered during the period of 15 days ending on the due date for any payment in respect of the Securities.

(d) All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Transfer Agent. A copy of the current regulations will be made available for inspection (i) during usual business hours and upon reasonable notice at the registered office of the Trustee or (ii) electronically on request by emailing the Trustee at Legal.Notices@lawdeb.com, and at the specified office of each of the Paying Agents.

3. STATUS

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu*, without any preference among themselves.

3.1 Condition to payment

Except in a winding-up or administration as provided in Condition 4, all payments in respect of or arising from (including any damages for breach of any obligations under) the Securities are, without prejudice to the right of the Issuer to cancel payments under Conditions 5.1 and 7, conditional upon the Issuer being solvent at the time of payment by the Issuer and 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.

In these Conditions, the Issuer shall be considered to be "**solvent**" if both (x) it is able to pay its debts to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer by the Chief Financial Officer of the Issuer or, if the Issuer is in a winding-up or administration, its liquidator or administrator (as the case may be) shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Securityholders as correct and sufficient evidence thereof.

3.2 Set-off, etc.

Subject to applicable law, no holder of the Securities may exercise, claim or plead any right of set-off, netting, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each holder of the Securities shall, by virtue of being the holder of any Security, be deemed to have waived all such rights of set-off, netting, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Securities by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

The provisions of this Condition 3 apply only to principal and Distributions and any other amounts payable in respect of the Securities and nothing in these conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

4. WINDING-UP

If at any time prior to the date on which an Automatic Write Down occurs:

(i) an order is made or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up); or

(ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

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 the Securityholder if, on the day prior to the commencement of such winding-up or administration and thereafter, such Securityholder were (in respect of such Security) 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 in such winding-up or administration with the holders of Other Additional Tier 1 Securities of the Issuer and with that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in such winding-up or administration;

(ii) ranking in priority to the holders of all other classes of issued shares for the time being in the capital of the Issuer other than preference shares which, upon issue, qualified (or were intended to qualify) as Tier 2 Capital ("**Tier 2 Preference Shares**"); and

(iii) ranking junior to the claims of Senior Creditors and holders of Tier 2 Preference Shares,

and on the assumption that the amount that such Securityholder was entitled to receive in respect of each such Notional Preference Share on a return of assets in such winding-up or administration were an amount equal to the principal amount of the relevant Security and any accrued but unpaid Distributions thereon (other than Distributions which have been cancelled pursuant to these Conditions).

5. DISTRIBUTIONS

5.1 Cancellation of Distributions

(a) Without prejudice to the provisions of paragraph (b), below, or the prohibition contained 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) on the making of payments on the Securities before the Maximum Distributable Amount has been calculated, subject to the extent permitted in respect of partial interest payments in respect of the Securities, the Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that:

(i) such Distribution Amount together with any Additional Amounts payable with respect thereto, when aggregated together with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital Instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items;

(ii) the aggregate of the interest amount payable in respect of the Securities 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) exceeds the Maximum Distributable Amount (if any) applicable to the Issuer as of such Distribution Payment Date;

(iii) the condition to payment under Condition 3.1 is not satisfied in respect of such interest payment;

(iv) the Regulator orders the Issuer to cancel (in whole or in part) the interest otherwise payable on such Distribution Payment Date; or

(v) a Loss Absorption Event has occurred.

The Issuer may, in its sole discretion, elect to make a partial Distribution on any Distribution Payment Date, only to the extent that such partial Distribution may be made without breaching the restrictions in this Condition 5.1. For the avoidance of doubt, the portion of any Distribution otherwise scheduled to be paid and not paid on the relevant Distribution Payment Date will be deemed to have been cancelled and thus will not be due and payable on such Distribution Payment Date.

(b) Further, the Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount otherwise scheduled to be paid on any Distribution Payment Date or on any other date.

(c) If practicable, the Issuer shall provide notice of any cancellation or deemed cancellation of payment of a scheduled Distribution Amount (in whole or in part) to the Securityholders (in accordance with Condition 17), the Trustee, the Registrar and the Principal Paying Agent as soon as possible prior to the relevant Distribution Payment Date. However, any failure to provide such notice will not invalidate the cancellation of payment of a scheduled Distribution Amount or any part thereof, and non-payment of any Distribution Amount (in whole or in part) on any Distribution Payment Date or on any other scheduled date for payment shall constitute evidence that the Issuer has elected or is required to cancel payment of such Distribution Amount (or the relevant part thereof).

(d) The cancellation of any Distribution Amount in accordance with this Condition 5.1 shall not constitute a default for any purpose (including, without limitation, Condition 11) on the part of the Issuer. For the avoidance of doubt, Distribution Amounts which are cancelled in accordance with this Condition 5.1 do not become due and are non-cumulative, and no Distribution Amount which has been cancelled (or any amount in lieu thereof) shall accumulate or be payable in respect of the Securities at any time thereafter, whether in a winding-up or administration of the Issuer or otherwise.

(e) 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 or cancellation of Distributions or other amounts or any claims in respect thereof by reason of the application of this Condition 5.

5.2 Distribution Payment Dates

The Securities bear interest (“**Distributions**”) on their outstanding principal amount at the applicable Distribution Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Subject to Conditions 3, 5.1 and 7, Distributions, if any, shall be payable on the Securities in equal instalments quarterly in arrear on 24 March, 24 June, 24 September and 24 December in each year (each a "**Distribution Payment Date**"), except that the Distributions payable (subject as aforesaid) on the first Distribution Payment Date (being 24 June 2024) shall be in respect of the period from (and including) the Issue Date to (but excluding) 24 June 2024.

Distributions shall accrue from (and including) the Issue Date to (but excluding) the first Distribution Payment Date (being 24 June 2024) and thereafter from (and including) each subsequent Distribution Payment Date to (but excluding) the immediately following Distribution Payment Date.

5.3 Accrual

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, Distributions will, subject to Conditions 3.1, 5.1 and 7 continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Security have been paid; and

(b) the date on which the full amount of the moneys payable in respect of such Securities has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Securityholders in accordance with Condition 17.

Notwithstanding the foregoing, if an Automatic Write Down occurs pursuant to Condition 7:

(c) each Security will cease to bear interest from and including the time of such Automatic Write Down; and

(d) any Distributions in respect of a Distribution Payment Date which falls on or after the date of such Automatic Write Down shall be deemed to have been cancelled upon the occurrence of such Automatic Write Down and shall not become due and payable.

Distributions in respect of any Security shall be calculated per £1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of Distributions per Calculation Amount for any period shall be the amount equal to the product of the relevant Distribution Rate, the Calculation Amount and the Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

"**Day Count Fraction**" means, with respect to a payment of Distributions:

(i) in respect of the period from (and including) the Issue Date to (but excluding) the relevant payment date which falls on 24 June 2024 (the "**First Accrual Period**"), the number of days in the First Accrual Period divided by four times the number of days in the Determination Period beginning on 24 March 2024; and

(ii) thereafter, the number of days in the period from (and including) the most recent Distribution Payment Date to (but excluding) the relevant payment date divided by four times the number of days in the period from (and including) the most recent Distribution Payment Date to (but excluding) the next succeeding Distribution Payment Date.

For the purposes of this Condition 5.3:

"**Determination Date**" means 24 March, 24 June, 24 September and 24 December in each year; and

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date.

5.4 Initial Distribution Rate and Distribution Amounts

The Distribution Rate for the period from, and including, the Issue Date to, but excluding, the First Reset Date is 8.750 per cent. per annum (the "**Initial Distribution Rate**").

The Distribution Amount which, subject to Conditions 3, 5.1 and 7, shall be payable on each Distribution Payment Date up to (and including) the First Reset Date will (if paid in full) be equal to £21.88 per Calculation Amount, except that the Distribution Amount which, subject as aforesaid, shall be payable on the first Distribution Payment Date will (if paid in full) be equal to £12.36 per Calculation Amount.

5.5 Reset Distribution Rates

The Distribution Rate in respect of a Reset Period (each a "**Reset Distribution Rate**") shall be the aggregate of the Margin and the Mid-Swap Rate for such Reset Period, determined and converted from an annual to a quarterly basis by the Calculation Agent using the following formula (with the result rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)):

$$Quarterly\ Rate = 4\left[(1+A)^{\frac{1}{4}} - 1\right]$$

Where A = the sum of the Margin and the relevant Mid-Swap Rate.

5.6 Determination of Reset Distribution Rates and calculation of Distribution Amounts

The Calculation Agent will, as soon as practicable after 11.00 hours (London time) on each Reset Determination Date, determine the Reset Distribution Rate in respect of the relevant Reset Period and shall calculate the amount of Distributions which (subject to Conditions, 3, 5.1 and 7 and if paid in full) will be payable per Calculation Amount on each Distribution Payment Date falling within such Reset Period. The determination of the Reset Distribution Rate by the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be final and binding upon all parties.

5.7 Publication of Reset Distribution Rates and Distribution Amounts

Unless the Securities are to be redeemed on the First Reset Date or any Distribution Payment Date thereafter, as applicable, the Calculation Agent shall cause notice of each Reset Distribution Rate and the related Distribution Amounts determined as aforesaid to be given to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

5.8 Calculation Agent

The Issuer may from time to time replace the Calculation Agent with another financial institution of international repute. If at any time from the Reset Determination Date, the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Distribution Rate or related Distribution Amounts or to effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another financial institution of international repute to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

5.9 Determinations of Calculation Agent binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made (or deemed to be made) or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Principal Paying Agent, the Registrar and all Securityholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Trustee, the Securityholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5.10 Benchmark fallbacks

If the Screen Page is not available or the Mid-Swap Rate does not appear on the Screen Page, in each case as at approximately 11.00 a.m. in London on any Reset Determination Date:

(a) unless both a Mid-Swap Index Cessation Event and the related Mid-Swap Index Cessation Event Effective Date have occurred, the Mid-Swap Rate for the relevant Reset Determination Date will be determined by the Calculation Agent by reference to the rate for swaps in pounds sterling:

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

(ii) commencing on a date determined by the Issuer or an agent appointed on its behalf reflecting prevailing market practice for swaps in pounds sterling;

which appeared on the Screen Page as at approximately 11.00 a.m. in London on the last Business Day for which such rate was available on the Screen Page immediately preceding the relevant Reset Determination Date; or

(b) if both a Mid-Swap Index Cessation Event and the related Mid-Swap Index Cessation Event Effective Date have occurred, the Mid-Swap Rate for the relevant Reset Determination Date will be determined by the Calculation Agent as the rate for swaps in pounds sterling:

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

(ii) commencing on the relevant Reset Date,

which appears on the Replacement Screen Page as at approximately 11.00 a.m. in London on such Reset Determination Date, provided that if no such Replacement Screen Page is available or the applicable swap rate does not appear on the Replacement Screen Page, in each case as at approximately 11.00 a.m. in London on the relevant Reset Determination Date, (1) the Reset Distribution Rate in respect of the first Reset Period (if applicable) shall be determined by the Calculation Agent as a rate equal to the Initial Distribution Rate, or (2) any subsequent Reset Distribution Rate in respect of Reset Periods other than the first Reset Period (if applicable) shall be determined by the Calculation Agent as a rate equal to the Distribution Rate as at the last preceding Reset Date.

In addition if, in connection with any Mid-Swap Index Cessation Event, an Alternative Reference Rate has been determined by the Issuer in connection with a Reference Rate Modification pursuant to Condition 12.2(c), the Reset Distribution Rate shall, with effect on and from the Mid-Swap Index Cessation Event Effective Date (and with respect to all Reset Periods commencing on and/or after such date) and notwithstanding the foregoing provisions of this Condition 5.10, be determined by the Calculation Agent by reference to such Alternative Reference Rate and taking into account any other Reference Rate Modification(s) pursuant to Condition 12.2(c).

The operation of this Condition 5.10 is subject to Condition 5.11.

5.11 Capital Qualification

Notwithstanding any provisions of Conditions 5.10 and 12.2(c), no Alternative Reference Rate will be adopted, and no other amendments to the terms of the Securities will be made pursuant to Conditions 5.10 and 12.2(c), if and to the extent that, in the sole determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Securities as Tier 1 Capital.

6. REDEMPTION AND PURCHASE

6.1 Redemption

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 the Securities in accordance with the following provisions of this Condition 6.

6.2 Redemption at the option of the Issuer

Subject to: (i) Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions, the Issuer may (having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6.8, be irrevocable and shall specify the date fixed for redemption)) redeem all, but not some only, of the Securities in accordance with these Conditions:

(a) on any day falling in the period commencing on (and including) 24 June 2029 and ending on (and including) the First Reset Date; or

(b) on any Distribution Payment Date subsequent to the First Reset Date,

in each case at their principal amount together with any unpaid Distributions accrued to (but excluding) the relevant date specified for redemption in accordance with this Condition 6.2 (but excluding any Distributions which have been cancelled in accordance with these Conditions).

6.3 Redemption at the option of the Issuer due to a Tax Event

If immediately prior to the giving of the notice referred to below:

(a) as a result of a Tax Law Change, in making any payments on the Securities, the Issuer will or would be required to pay Additional Amounts on the Securities;

(b) as a result of a Tax Law Change:

  (a) the Securities will or would no longer be treated as loan relationships for UK tax purposes;

  (b) the Issuer will not or would not be entitled to claim a deduction in respect of any payments (other than the repayment of the principal amount of the Securities) in computing its taxation liabilities or the amount of the deduction would be materially reduced;

  (c) the Issuer will not or would not, as a result of the Securities being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable UK tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist);

(d) the Issuer will or would, in the future, have to bring into account a taxable credit, taxable profit or the receipt of taxable income if the principal amount of the Securities were written down, on a permanent or temporary basis, or the Securities were converted into ordinary shares in the capital of the Issuer, or

(e) the Securities or any part thereof will or would become treated as a derivative or an embedded derivative for UK tax purposes,

(each such event, a "**Tax Event**"), then the Issuer may, provided that in the case of each Tax Event, the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it, and subject to Condition 3.1, to the Issuer having obtained Regulatory Approval and to compliance with the Regulatory Preconditions and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6.8, be irrevocable), redeem in accordance with these Conditions at any time, the Securities, in whole, but not in part, at their principal amount, together with any unpaid Distributions accrued to (but excluding) the date of redemption in accordance with these Conditions (but excluding any Distributions which have been cancelled in accordance with these Conditions).

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Trustee a certificate signed by the Chief Financial Officer of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6.3 applies and the consequences of the relevant Tax Event cannot be avoided by the Issuer taking reasonable measures available to it. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Securities and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

6.4 Redemption at the option of the Issuer due to a Regulatory Capital Event

Subject to (i) Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions, if a Regulatory Capital Event has occurred and is continuing, the Issuer may (having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6.8, be irrevocable)) redeem in accordance with these Conditions at any time, the Securities, in whole, but not in part, at their principal amount, together with any unpaid Distributions accrued to (but excluding) the date of redemption in accordance with these Conditions (but excluding any Distributions which have been cancelled in accordance with these Conditions).

Prior to the publication of any notice of redemption pursuant to this Condition 6.4, the Issuer shall deliver to the Trustee a certificate signed by the Chief Financial Officer of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6.4 applies. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Securities and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

6.5 Purchases

Subject to the Issuer having obtained Regulatory Approval and to compliance with the Regulatory Preconditions, the Issuer or any Holding Company of the Issuer or any Subsidiary of the Issuer or of any such Holding Company may at any time purchase Securities in the open market or otherwise at any price.

Such Securities may, at the option of the Issuer or the relevant Holding Company or the relevant Subsidiary, be held, re-issued, re-sold or surrendered to the Principal Paying Agent for cancellation.

6.6 Cancellation

All Securities purchased in accordance with Condition 6.5 above and surrendered for cancellation and all Securities redeemed by the Issuer shall be cancelled forthwith. Any Securities so cancelled may not be re-issued or re-sold and the obligations of the Issuer in respect of any such Securities shall be discharged.

6.7 Trustee and Agents Not Obliged to Monitor

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Securityholders for any loss arising from any failure by the Trustee or Agents to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

6.8 Notices Final

Subject as follows, upon the expiry of any notice as is referred to in Condition 6.2, 6.3 or 6.4, the Issuer shall be bound to redeem the Securities in accordance with the terms of such Condition.

Notwithstanding the foregoing, if the Issuer has elected to redeem the Securities pursuant to Condition 6.2, 6.3 or 6.4 but the condition to payment referred to in Condition 3.1 is not (or would not if payment were made be) satisfied on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on such date and no payment of the redemption amount will be due and payable. If any such redemption notice is rescinded, the Issuer shall promptly give notice to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent.

If the Issuer has elected to redeem the Securities but, prior to the payment of the redemption amount with respect to such redemption, a Loss Absorption Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed, no payment of the redemption amount will be due and payable and instead an Automatic Write Down shall occur as described in Condition 7.

7. PRINCIPAL LOSS ABSORPTION

7.1 Loss Absorption

If a Loss Absorption Event occurs at any time, and the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7.4, the Issuer shall immediately notify the Regulator of the occurrence of the Loss Absorption Event. On the Business Day following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7.4) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7.4), an Automatic Write Down shall occur.

Effective upon, and following, the Automatic Write Down, Securityholders shall not have any rights against the Issuer with respect to:

(a) repayment of the principal amount of the Securities or any part thereof;

(b) the payment of any Distributions for any period; or

(c) any other amounts arising under or in connection with the Securities.

As a result of such Automatic Write Down, the full principal amount of the Securities and any accrued and unpaid Distributions shall be written down to zero and the Securities shall be cancelled.

7.2 Notice of Write Down

Following the determination that a Loss Absorption Event has occurred, where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7.4, the Issuer shall immediately notify the Regulator. Promptly following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7.4) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7.4), the Issuer shall promptly give notice (which notice shall be irrevocable and shall specify that a Loss Absorption Event has occurred and the date on which the Automatic Write Down shall occur (or, if applicable, shall have occurred)) to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent. Such notice to the Trustee shall be accompanied by a certificate signed by the Chief Financial Officer of the Issuer stating that the Loss Absorption Event has occurred and giving details thereof, and the Trustee shall rely on such certificate without liability to any person. Any failure by the Issuer to give any such notice will not in any way impact the effectiveness of the Automatic Write Down or give any Securityholder any rights as a result of such failure.

7.3 Consequences of a Loss Absorption Event

Once the principal amount of a Security has been Written Down, it will not be restored in any circumstances, including where the Loss Absorption Event ceases to continue. For the avoidance of doubt, the principal amount of a Security shall not be reduced to below zero under any circumstances.

7.4 Loss Absorption Event

A "**Loss Absorption Event**" shall occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent.

Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. 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, cancellation or write-down of principal, Distributions or other amounts or any claims in respect thereof by reason of the occurrence of a Loss Absorption Event. For the avoidance of doubt, notwithstanding the occurrence of a Loss Absorption Event, nothing in these conditions 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.

8. PAYMENTS

8.1 Method of Payment

Payments of principal in respect of each Security (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Security at the specified office of the Registrar and Transfer Agent or any of the Paying Agents. Payments of Distributions and principal will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Security appearing in the register of holders of the Securities maintained by the Registrar and the Transfer Agent (the "**Register**"):

(a) where the Securities are represented by a Global Security, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, as applicable, are open for business) before the relevant due date; and

(b) where the Securities are in definitive form, at the close of business on the fifteenth (15th) Business Day before the relevant due date.

For these purposes, "**Designated Account**" means the account maintained by a holder with a bank which processes payments in pounds sterling, the details of which are set out in the Register at close of business on the relevant date as aforesaid. No commissions or expenses shall be charged to such holders by the Issuer, the Registrar, the Paying Agents or the Transfer Agent in respect of any payments of principal or Distributions in respect of the Securities.

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

8.2 Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction, but without prejudice to the provisions of Condition 9. For the purposes of the preceding sentence, the phrase "fiscal or other laws, regulations and directives" shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto.

8.3 Appointment of Agents

The initial Agents are initially appointed by the Issuer. Subject as provided in the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any fiduciary obligation towards, or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any or all of the Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain:

(a) a Principal Paying Agent, a Registrar and (at all times when a Calculation Agent is required to perform any calculation or determination under these Conditions) a Calculation Agent;

(b) a Paying Agent having its specified office outside the UK; and

(c) a Paying Agent in any other jurisdiction as may be required by the rules and regulations of any stock exchange or market on which the Securities are for the time being listed, quoted and/or admitted to trading.

Notice of any such change or any change of any specified office shall promptly be given to the Securityholders in accordance with Condition 17.

8.4 Non-Payment Days

If any date for payment in respect of any Security is not a Payment Day, the holder shall not be entitled to payment until the next following Payment Day nor to any additional Distributions or other sum in respect of such postponed payment. In these Conditions, "**Payment Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:

(a) in London; and

(b) where presentation of a Definitive Security is required for payment as required, in the place where such Security is presented for payment.

8.5 Partial Payments

If the amount of principal or a Distribution which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or Distribution in fact paid.

9. TAXATION

9.1 Payment without withholding

All payments of Distributions in respect of the Securities by the Issuer will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the UK, or any political subdivision of the same or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, in respect of the payment of any Distributions on (but not, for the avoidance of doubt, in respect of any principal of) the Securities, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of such Distributions on their Securities in the absence of any requirement to make such withholding or deduction, except that no such Additional Amounts shall be payable in relation to any payment with respect to any Security:

(a) where presentation is required, presented for payment by, or by a third party on behalf of, a holder who in any case (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of nonresidence or other similar claim for exemption to the relevant tax authority but fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the UK other than the mere holding of such Security; or

(b) where presentation is required, where such Security is presented for payment in the UK; or

(c) where presentation is required, presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days, assuming that day had been a Payment Day if that day was not in fact a Payment Day.

The "**Relevant Date**" means the date on which the payment in respect of the Security first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the "**Relevant Date**" means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Securityholders in accordance with Condition 17.

As provided in Condition 8.2, all payments in respect of the Securities will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and the Issuer shall not be required to pay any Additional Amounts under this Condition on account of any such deduction or withholding described in this paragraph.

9.2 Additional Amounts

Any reference in these Conditions to any Distributions in respect of the Securities shall be deemed also to include any Additional Amounts which may be payable under this Condition 9.

10. PRESCRIPTION

The Securities will become prescribed unless claims in respect of principal and/or Distributions are made within a period of 10 years in the case of principal and five years in the case of Distributions from the Relevant Date (as defined in Condition 9) relating hereto. The Issuer shall be discharged from its obligation to pay principal on a Security to the extent that the relevant Security certificate has not been surrendered to the Registrar and Transfer Agent by the end of the period of 10 years from the Relevant Date in respect of such payment.

11. NON-PAYMENT AND ENFORCEMENT

11.1 Rights to institute and/or prove in a winding-up

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment of principal has become due and is not duly paid.

If default is made for a period of seven days or more in the payment of any principal due in respect of the Securities or any of them, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall, (subject in each case to Condition 11.3) institute proceedings for the winding-up of the Issuer but (subject to the following paragraph) may take no further or other action to enforce, prove or claim for any such payment.

If at any time prior to the date on which an Automatic Write Down occurs, a winding-up (whether or not instituted by the Trustee as aforesaid and other than an Approved Winding-up) or administration of the Issuer shall occur where the administrator has given notice that it intends to declare and distribute a dividend, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to Condition 11.3) prove in such winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer in respect of the Securities, such claim being as provided in Condition 4.

No payment in respect of the Securities or the Trust Deed may be made by the Issuer pursuant to this Condition 11.1 nor will the Trustee accept the same (provided it has written notice or actual knowledge of the relevant circumstances) otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend.

11.2 Enforcement

Without prejudice to Condition 11.1, the Trustee may at its discretion and without further notice institute such proceedings and/or take such other action against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, these Conditions and the Securities (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 Distributions in respect of the Securities and 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 and/or the taking of such other action, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 11.2 shall, subject to Condition 11.1, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of the Securities or the Trust Deed.

11.3 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11.1 or Condition 11.2 above to enforce the obligations of the Issuer under the Trust Deed or the Securities or to take any other action under or pursuant to these Conditions or the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Securityholders or so requested in writing by the holders of at least one quarter in principal amount of the Securities then outstanding and (ii) in either case then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.4 Right of Securityholders

No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in liquidation, fails to do so within a reasonable period and such failure is then 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 11.

11.5 Extent of Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 11, 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 under the Trust Deed.

The provisions of this Condition 11 apply only to principal and Distributions and any other amounts payable in respect of the Securities and nothing in these Conditions 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.

12. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Securityholders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of optional redemption of the Securities or any date for payment of Distributions on the Securities, (ii) to reduce or cancel the principal amount of the Securities, (iii) to reduce the rate or rates of Distribution in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of Distributions or the basis for calculating any Distribution amount in respect of the Securities, (iv) to vary the currency or currencies of payment or denomination of the Securities, (v) to increase the Common Equity Tier 1 Capital Ratio at which a Loss Absorption Event occurs, (vi) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vii) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify Condition 3. In each such case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one third, in principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed, and whether or not voting on such Extraordinary Resolution).

In addition, a resolution in writing or consent given by way of electronic consents through the relevant clearing systems (in a form satisfactory to the Trustee) signed or provided (as applicable) by or on behalf of the holders of at least 75 per cent. in aggregate principal amount outstanding of the 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. 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.

12.2 Modification of the Conditions, the Trust Deed or the Agency Agreement

The Trustee may (in the case of paragraphs (a) and (b) below) agree, and the Trustee shall (in the case of paragraph (c) below) agree, in each case without the consent of the Securityholders, to:

(a) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law;

(b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders; or

(c) any modification to any of the provisions of these Conditions, the Trust Deed or the Agency Agreement that the Issuer considers necessary for the purpose of changing the Mid-Swap Rate (or any relevant component part thereof) from the Original Reference Rate to an alternative reference rate (any such rate, an

"**Alternative Reference Rate**") and making such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change (including, without limitation, the application of any spread(s) or adjustment(s) as are necessary or advisable in the reasonable judgement of the Issuer in connection with the use of the Alternative Reference Rate in place of the Original Reference Rate (and such modification, a "**Reference Rate Modification**"), provided that:

(i) the Issuer certifies to the Trustee in writing (with such certificate being a "**Reference Rate Modification Certificate**") that the relevant Reference Rate Modification is being undertaken due to:

(A) a material disruption to the Original Reference Rate, an adverse change in the methodology of calculating the Original Reference Rate or the Original Reference Rate ceasing to exist or be published;

(B) the insolvency or cessation of business of the administrator of the Original Reference Rate (in circumstances where no successor has been appointed);

(C) a public statement by the administrator of the Original Reference Rate that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Original Reference Rate has been appointed that will continue publication of the Original Reference Rate) or has or will change the Original Reference Rate in an adverse manner;

(D) a public statement by the supervisor of the administrator of the Original Reference Rate or the Bank of England that the Original Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;

(E) a public statement by the supervisor of the administrator of the Original Reference Rate or the Bank of England that means the Original Reference Rate may no longer be used or that its use is or will be subject to restrictions or adverse consequences;

(F) a public announcement of the permanent or indefinite discontinuation of the Original Reference Rate that applies to the Securities at such time; or

(G) the reasonable expectation of the Issuer that any of the events specified in sub-paragraph (A), (B), (C), (E) or (F) will occur or exist within six months of the proposed effective date of the relevant Reference Rate Modification, and, in each case, has been drafted solely to such effect;

(ii) the Alternative Reference Rate is (as certified by the Issuer to the Trustee in the relevant Reference Rate Modification Certificate) either:

(A) a rate published, endorsed, approved or recognised by the Bank of England or any regulator in the UK (or any relevant committee or other body established, sponsored or approved by any of the foregoing);or

(B) a rate that has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining reset rates of interest (or the relevant component part thereof) denominated in pounds sterling in respect of securities with reset periods of a comparable duration to the Reset Period or if the Issuer (acting in good faith and in a commercially reasonable manner) determines that there is no such rate, such other rate as the Issuer (acting in good faith and in a commercially reasonable manner) determines in its sole discretion is most comparable to the Original Reference Rate;

(iii) at least 35 calendar days' prior written notice of the relevant Reference Rate Modification has been given to the Trustee;

(iv) the Reference Rate Modification Certificate in relation to the relevant Reference Rate Modification is provided to the Trustee at the time the Trustee is notified of the relevant Reference Rate Modification and on the effective date of the relevant Reference Rate Modification;

(v) with respect to each rating agency that has assigned to the Securities a rating that has been solicited by the Issuer, either:

(A) the Issuer obtains from each such rating agency written confirmation that the relevant Reference Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Securities by the relevant rating agency or (y) the relevant rating agency placing the Securities on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Trustee; or

(B) the Issuer certifies in writing to the Trustee that it has notified each such rating agency of the relevant Reference Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with each such rating agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at each such rating agency), the relevant Reference Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Securities by the relevant rating agency or (y) the relevant rating agency placing the Securities on rating watch negative (or equivalent);

(vi) the Issuer pays (or arranges for the payment of) all fees, costs and expenses (including legal fees) properly incurred by the Trustee in connection with the relevant Reference Rate Modification;

(vii) if in the opinion of the Principal Paying Agent or, as the case may be, the Calculation Agent, there is in relation to the relevant Reference Rate Modification and the operation thereof any uncertainty between two or more alternative course of action in making any determination or calculation, the Principal Paying Agent or the Calculation Agent, as the case may be, shall promptly notify the Issuer thereof and the Issuer shall direct the Principal Paying Agent or the Calculation Agent, as the case may be, in writing as to which alternative course of action to adopt; if the Principal Paying Agent or the Calculation Agent, as the case may be, is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason beyond its control, it shall notify the Issuer thereof and the Principal Paying Agent or the Calculation Agent, as the case may be, shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so; and

(viii)

(A) the Issuer has given at least 30 calendar days' notice of the relevant Reference Rate Modification to the Securityholders in accordance with Condition 17 (in each case specifying the date and time by which such Securityholders must respond if they do not consent to the relevant Reference Rate Modification, as described below); and

(B) Securityholders representing at least ten per cent. in nominal amount of the Securities for the time being outstanding have not notified the Issuer in accordance with Condition 17 within such notification period that such Securityholders do not consent to the relevant Reference Rate Modification.

If Securityholders representing at least ten per cent. in aggregate nominal amount of the Securities for the time being outstanding have notified the Issuer within the notification period described above that they do not consent to the relevant Reference Rate Modification, then the relevant Reference Rate Modification will not be made unless it is sanctioned by an Extraordinary Resolution of the holders of the Securities pursuant to the Trust Deed.

For the avoidance of doubt, the Issuer may propose an Alternative Reference Rate on more than one occasion provided that the conditions set out in this Condition 12.2(c) are met.

The operation of this Condition 12.2(c) is subject to Condition 5.11.

For the purpose of this Condition 12.2(c), "**Original Reference Rate**" means the Mid-Swap Rate (or any relevant component part thereof), provided that, if pursuant to a previous Reference Rate Modification or otherwise pursuant to these Conditions, such originally specified rate has been replaced by an Alternative Reference Rate or another replacement rate, the term "**Original Reference Rate**" shall then include any such Alternative Reference Rate or other replacement rate and the provisions of this Condition 12.2(c) shall then apply to such Alternative Reference Rate or other replacement rate, mutandis mutatis.

When implementing any modification pursuant to this Condition 12.2(c):

(i) the Trustee shall not consider the interests of the Securityholders or any other person and shall act and rely solely and without investigation or liability on any Reference Rate Modification Certificate or other certificate or evidence provided to it by the Issuer; and the Trustee shall not be liable to the Securityholders or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(ii) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee, would have the effect of (A) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Trustee under these Conditions and/or the Trust Deed.

Any such modification, authorisation or waiver pursuant to this Condition 12 shall be binding on the Securityholders and, unless the Trustee otherwise requires, such modification shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 17.

12.3 Consent from the Regulator

No modification to these Conditions or any other provisions of the Trust Deed nor any substitution of the Issuer shall become effective unless the Issuer shall have received the consent of the Regulator (unless such consent is not then required under the Capital Rules) and, prior to effecting any such modification, the Issuer shall confirm to the Trustee whether or not such consent has been received.

12.4 Substitution

The Trustee may from time to time, without the consent of the Securityholders, agree with the Issuer (or any previous Substitute Issuer) to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of a Subsidiary or successor in business of the Issuer, a Holding Company of the Issuer or another Subsidiary of such Holding Company (the "**Substitute Issuer**") in place of the Issuer (or of any previous Substitute Issuer) as a new principal debtor under these presents provided that:

(a) a trust deed is executed or some other form of undertaking is given by the Substitute Issuer in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Issuer had been named in the Trust Deed and on the Securities, as the principal debtor in place of the Issuer (or of any previous Substitute Issuer);

(b) two directors of the Substitute Issuer or other officers acceptable to the Trustee certify that the Substitute Issuer is solvent at the time at which the said substitution is proposed to be effected and will remain solvent immediately after such substitution is effected (and the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Issuer or to compare the same with those of the Issuer);

(c) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (b) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Securityholders;

(d) (without prejudice to the generality of sub-paragraph (c) hereof) the Trustee may in the event of such substitution agree, without the consent of the Securityholders, to a change in the law governing the Trust Deed and/or the Securities, provided that such change is not in the opinion of the Trustee materially prejudicial to the interests of the Securityholders; and

(e) if the Substitute Issuer is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than or in addition to the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Issuer will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for or as the case may be, in addition to, the references in that Condition and in Condition 6.3 (and, in each case, the relevant defined terms used therein) to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, these Conditions and the Securities will be read accordingly.

Any such trust deed or undertaking shall, if so expressed, operate to release the Issuer or any previous Substitute Issuer (as the case may be) as aforesaid from all of its obligations as principal debtor under the Trust Deed. Not later than 14 days after the execution of such documents and compliance with such requirements, the Substitute Issuer shall give notice thereof in a form previously approved by the Trustee to the Securityholders in the manner provided in Condition 17. Upon the execution of such documents and compliance with such requirements, the Substitute Issuer shall be deemed to be named in the Trust Deed as the principal debtor in place of the Issuer (or in place of the previous substitute) under the Trust Deed and the Trust Deed shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the Trust Deed to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to any Substitute Issuer.

13. ENTITLEMENT OF THE TRUSTEE

In connection with any exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in Condition 12), the Trustee shall have regard to the general interests of the Securityholders as a class and in particular, but without limitation, the Trustee shall not have regard to the consequences of 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. In connection with any such exercise as aforesaid, no Securityholder shall be entitled to claim, whether from the Issuer, the Substitute Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Securityholders except to the extent already provided in Condition 9 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

14. INDEMNIFICATION OF THE TRUSTEE AND CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility towards the Issuer and the Securityholders, including (i) provisions relieving it from taking any action unless indemnified, secured or prefunded 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.

The Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and any entity related to the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or any entity related to the Issuer, (ii) 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 (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Securityholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or 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, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer, the Trustee and the Securityholders.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15. REPLACEMENT OF SECURITIES

If a Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent or such other Paying Agent as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Securityholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Security is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Security) and otherwise as the Issuer may reasonably require. Mutilated or defaced Securities must be surrendered before replacements will be issued.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects save for the issue price and the date of issue thereof, and the amount and date of the first payment of Distributions thereon) and so that the same shall be consolidated and form a single series with the outstanding Securities; provided, however, that if such further securities are not fungible with the outstanding Securities for U.S. federal income tax purposes, the further securities will have a separate Common Code and ISIN (where applicable) from such numbers assigned to the previously issued Securities. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the Securities shall be constituted by the Trust Deed or a deed supplemental to it.

17. NOTICES

All notices to the Securityholders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the Securityholders (or the first of any joint named Securityholders) at their respective addresses in the Register.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any such notice will be deemed to have been given on the second day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. For so long as all of the Securities are represented by the Global Security and the Global Security is registered in the name of a nominee for the common depository for Euroclear and/or Clearstream, Luxembourg, notices to Securityholders may be given, in substitution for delivery as required by this Condition 17, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by such clearing systems to the relevant participants. Any such notice shall be deemed to have been given to the Securityholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be).

Notices to be given by any Securityholder shall be in writing and given by lodging the same, together (in the case of any Security in definitive form) with the relevant Security, with the Registrar. Whilst the Securities are represented by a Global Security, such notice may be given by any holder of a Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

19. DEFINITIONS

As used herein:

“**Additional Amounts**” has the meaning given to it in Condition 9;

“**Additional Tier 1 Capital**” has the meaning given to it in the Capital Rules;

“**Alternative Reference Rate**” has the meaning given to it in Condition 12.2(c);

"**Approved Winding-up**" means a solvent winding-up of the Issuer solely for the purposes of a merger, reconstruction, reorganisation or amalgamation, the terms of which merger, reconstruction, reorganisation or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Securityholders and (ii) do not provide that the Securities shall thereby become repayable;

"**Assets**" means the non-consolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent contingencies and events in such manner as the Directors or, if the Issuer is in winding- up or administration, its liquidator or administrator (as the case may be) may determine;

"**Automatic Write Down**" means the irrevocable and automatic (without the need for the consent of Securityholders) write-down of the full principal amount of the Securities to zero and the cancellation of all accrued and unpaid Distributions and the cancellation of the Securities on the Business Day immediately following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7.4) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7.4), (such write down being referred to as a "Write Down", and "Written Down" being construed accordingly);

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London;

"**Calculation Agent**" means the Principal Paying Agent or a financial institution appointed by the Issuer from time to time to the role of calculation agent in respect of the Securities;

"**Calculation Amount**" has the meaning given to it in Condition 5.3;

"**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 the relevant 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 regulatory or implementing technical standards and other delegated or implementing acts adopted under the relevant 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;

“**Capital Rules**” means at any time the laws, regulations, requirements, guidelines and policies relating to capital resources requirements or capital adequacy then in effect and applicable to the Group (including, as at the Issue Date, without limitation, CRD IV and any regulations, requirements, guidelines and policies of the Regulator and other delegated or implementing acts adopted under the relevant Directive or 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, as may from time to time be applicable to the Group);

“**Clearstream, Luxembourg**” means Clearstream Banking, S.A.;

“**Code**” means the U.S. Internal Revenue Code of 1986;

“**Common Equity Tier 1**” or “**CET1**” means, at any time, the sum, expressed in pounds sterling, of all amounts that constitute Common Equity Tier 1 Capital of the Group as at such time, less any deductions from Common Equity Tier 1 Capital required to be made as at such time, in each case as calculated by the Issuer on a consolidated basis in accordance with the then prevailing Capital Rules but without taking into account any transitional, phasing in or similar provisions;

“**Common Equity Tier 1 Capital**” has the meaning given to it, or any successor term, in the Capital Rules;

“**Common Equity Tier 1 Capital Ratio**” means, with respect to the Group, at any time, the ratio of Common Equity Tier 1 of the Group as at such time to the Risk Weighted Assets of the Group at the same time, expressed as a percentage;

“**CRD IV**” means (i) the Capital Requirements Directive (ii) the Capital Requirements Regulation and (iii) any legislation or regulatory technical standards made under or pursuant to powers conferred by (i) or (ii);

“**Definitive Securities**” has the meaning given to it in Condition 1.1(d);

“**Denomination**” has the meaning given to it in Condition 1.1(a);

“**Designated Account**” has the meaning given to it in Condition 8.1;

“**Directors**” means directors of the Issuer;

“**Distributable Items**” means, with respect to any Distribution Payment Date and subject as otherwise defined in the Capital Rules:

(a) the amount of the profits of the Issuer as at the end of its financial year immediately preceding such Distribution Payment Date plus any profits brought forward and reserves available for that purpose before distributions to holders of the Issuer’s own funds instruments; less

(b) any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non-distributable reserves in accordance with the Companies Act 2006 (as amended from time to time) or the articles of association of the Issuer; calculated on the basis of the non- consolidated accounts of the Issuer;

"**Distribution Amount**" means, with respect to a Distribution Payment Date, the amount of Distributions payable on each Security on such Distribution Payment Date;

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of the Securities;

"**Distribution Payment Date**" has the meaning given to it in Condition 5.2;

"**Distribution Rate**" means the Initial Distribution Rate or the relevant Reset Distribution Rate, as the case may be;

"**Distributions**" has the meaning given to it in Condition 5.2;

"**Euroclear**" means Euroclear Bank SA/NV;

"**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);

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended;

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed;

"**First Reset Date**" means 24 September 2029;

"**Global Security**" means the security certificate representing the Securities while in global form;

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

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

"**Initial Distribution Rate**" has the meaning given to it in Condition 5.4;

"**Issue Date**" means 3 May 2024;

"**Liabilities**" means the non-consolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors or, if the Issuer is in winding-up or administration, its liquidator or administrator (as the case may be) may determine;

"**Loss Absorption Event**" has the meaning given to it in Condition 7.4;

"**Margin**" means 4.849 per cent. per annum;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Issuer 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);

"**Mid-Swap Floating Leg Original Benchmark Rate**" means the benchmark rate upon which the floating leg of the Mid-Swap Rate, as at the Issue Date, is based and/or derived from;

"**Mid-Swap Index Cessation Event**" means the occurrence of one or more of the following events in respect of the Mid-Swap Rate or Mid-Swap Floating Leg Original Benchmark Rate:

(a) a public statement or publication of information by or on behalf of the administrator of the Mid-Swap Rate or Mid-Swap Floating Leg Original Benchmark Rate (as applicable) announcing that it has ceased or will cease to provide or publish such rate permanently or indefinitely, provided that, at the time of the statement or the publication, there is no successor administrator that will continue to provide such rate; or

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable), the Bank of England, an insolvency official with jurisdiction over the administrator of the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable), a resolution authority with jurisdiction over the administrator of the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable) or a court or an entity with similar insolvency or resolution authority over the administrator of the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable), which states that such administrator has ceased or will cease to provide such rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable);

"**Mid-Swap Index Cessation Event Effective Date**" means the first date on which the Mid-Swap Rate or Mid-Swap Floating Leg Original Benchmark Rate (as applicable) is, permanently or indefinitely, no longer provided by the administrator of such rate (or any successor administrator of such rate) (and, for the avoidance of doubt, a Mid-Swap Index Cessation Event Effective Date shall not occur solely by virtue of a public statement or publication that the Mid-Swap Rate or the Mid-Swap Floating Leg Original Benchmark Rate (as applicable) will, in the future, cease to be so provided);

"**Mid-Swap Rate**" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, and subject to Condition 5.10, the annual pounds sterling mid-swap rate with a term equal to the Reset Period where the floating leg pays daily compounded SONIA annually, which is calculated and published by ICE Benchmark Administration Limited on such Reset Determination Date and displayed as at 11:00 a.m. (London time) on such Determination Date on the Screen Page;

"**Notional Preference Share**" has the meaning given to it in Condition 4;

"**Original Reference Rate**" has the meaning given to it in Condition 12.2(c);

"**Other Additional Tier 1 Securities**" means any securities of the Issuer (i) which upon issue qualified (or were intended to qualify) as Additional Tier 1 capital or (ii) which otherwise rank or are expressed to rank on a winding-up or in respect of a distribution or payment of dividends or any other payments thereon pari passu with the Securities or with other instruments falling within (i) above;

"**own funds instruments**" has the meaning given to it in the Capital Rules;

"**Payment Day**" has the meaning given to it in Condition 8.4;

"**Proceedings**" has the meaning given to it in Condition 20.2;

"**Reference Rate Modification**" has the meaning given to it in Condition 12.2(c);

"**Reference Rate Modification Certificate**" has the meaning given to it in Condition 12.2(c);

"**Regulation S**" means Regulation S under the U.S. Securities Act;

"**Register**" has the meaning given to it in Condition 8.1;

"**Regulator**" means the Prudential Regulation Authority of the UK or such successor or other authority having primary responsibility for the prudential supervision of the Issuer and the Group;

"**Regulatory Approval**" means, at any time, such approval, consent or prior permission by, or notification required within prescribed periods to, the Regulator, or such waiver of the then prevailing Capital Rules from the Regulator, as is required under the then prevailing Capital Rules at such time;

a "**Regulatory Capital Event**" will occur if there is a change in the regulatory classification of the Securities occurring after the Issue Date that does, or will, result in the Securities being fully or partially excluded from the Tier 1 Capital of the Group;

"**Regulatory Preconditions**" means:

(a) if, at the time of such redemption or repurchase, the prevailing Capital Rules permit the redemption or repurchase after compliance with any pre-conditions, the Issuer having complied with such pre-conditions; and

(b) in the case of a redemption pursuant to Conditions 6.3 or 6.4 occurring prior to the First Reset Date only,

(i) the Regulator being satisfied (such satisfaction to be evidenced by the granting of Regulatory Approval) that the Issuer has demonstrated to the satisfaction of the Regulator that the circumstance that entitles the Issuer to exercise its right of redemption was not reasonably foreseeable, judged at the Issue Date and is (in the case of a redemption pursuant to Condition 6.4) sufficiently certain or (in the case of a redemption pursuant to Condition 6.3) material; or

(ii) if, at the time of such redemption, the prevailing Capital Rules permit the redemption after compliance with an alternative pre-condition, the Issuer having complied with such other pre-condition;

"**Relevant Account Holder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than (i) Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and (ii) Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular principal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg shall be conclusive and binding for all purposes);

"**Relevant Body**" means the Bank of England (or any successor thereof) or any relevant committee or other body established, sponsored or approved by the Bank of England (or any successor thereof), in each case for the purpose of recommending a replacement for the Mid-Swap Rate and/or the Mid-Swap Floating Leg Original Benchmark Rate, as applicable;

"**Relevant Date**" has the meaning given to it in Condition 9;

"**Replacement Screen Page**" means:

(a) such screen page, display page or other information services as is selected by the Issuer and notified to Securityholders in accordance with Condition 17 and which displays the mean of the bid and offered rates for a fixed-for-floating interest rate swap transaction in pounds sterling which transaction has a floating leg based on the benchmark rate formally recommended by the Relevant Body as the replacement for the Mid-Swap Floating Leg Original Benchmark Rate (inclusive of any spread(s) or adjustment(s) recommended by the Relevant Body); or

(b) if such screen page, display page or other information service as is referred to in sub-paragraph (i) of this definition is not available at the relevant time, such screen page, display page or other information service as is formally recommended by the Relevant Body for use in connection with the occurrence of a Mid-Swap Index Cessation Event in respect of the Mid-Swap Floating Leg Original Benchmark Rate and which displays the mean of the bid and offered rates for a fixed-for-floating interest rate swap transaction in pounds sterling (whether or not the floating leg of such swap transaction is based on the benchmark rate formally recommended by the Relevant Body as the replacement for the Mid-Swap Floating Leg Original Benchmark Rate);

"**Reset Date**" means the First Reset Date and each fifth anniversary thereof;

"**Reset Determination Date**" means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

"**Reset Distribution Rate**" has the meaning given in Condition 5.5;

"**Reset Period**" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter and "relevant Reset Period" shall be construed accordingly;

"**Risk Weighted Assets**" means, as at any time, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Group as at such time, as calculated by the Issuer on a consolidated basis in accordance with the then prevailing Capital Rules but without taking into account any transitional, phasing in or similar provisions, and where the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer in accordance with the then prevailing Capital Rules;

"**Screen Page**" means Bloomberg screen "BPISDS05 Index" or such other page as may replace it on Bloomberg, or, as the case may be, such other page provided by such other information service that may replace Bloomberg (including, but not limited to, Reuters), in each case as may be nominated by ICE Benchmark Administration Limited, or any alternative or successor provider for the publication of such rate as is in customary market usage in the international debt capital markets;

"**Securityholder**" or "**holder**" has the meaning given to it in the Trust Deed;

"**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 administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, pari passu with, or junior to, the claims of the Securityholders (with Senior Creditors including, for the avoidance of doubt, holders of Tier 2 Capital Instruments);

"**SONIA**" means the Sterling Overnight Index Average;

"**Subsidiary**" has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time);

"**Substitute Issuer**" has the meaning given to it in Condition 12.4;

"**successor in business**" has the meaning given to it in the Trust Deed;

"**Tax Event**" has the meaning given to it in Condition 6.3;

"**Tax Law Change**" means a change in, or amendment to, the laws or regulations of the UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application 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 (in respect of securities similar to the Securities and which are capable of constituting Additional Tier 1 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Securities, which change or amendment becomes effective or, in the case of a change in law or regulation, if such change is enacted by a UK Act of Parliament or by Statutory Instrument, on or after the Issue Date;

"**Tier 1 Capital**" has the meaning given to it in the Capital Rules;

"**Tier 2 Capital**" has the meaning given to it in the Capital Rules;

"**Tier 2 Capital Instruments**" means any instruments of the Issuer which are Tier 2 Capital of the Issuer and which rank on a winding-up or in respect of a distribution or payment of dividends or any other payments thereon senior to the Securities but junior to all creditors falling within the definition of paragraph (a) of the definition of Senior Creditors;

"**Tier 2 Preference Shares**" has the meaning given to this term in Condition 4;

"**UK**" means the United Kingdom of Great Britain and Northern Ireland;

"**U.S.**" means the United States of America;

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended; and

"**£**" or "**pounds sterling**" means the lawful currency of the UK from time to time.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

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

20.2 Submission to jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, these Conditions or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, these Conditions or any Securities ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

Overview of the Securities while in Global Form

*Words and expressions defined in the "Terms and Conditions of the Securities" above or elsewhere in this Offering Memorandum have the same meanings in this section. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

The Securities will be in registered form in the denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Securities will initially be represented by the global security (the "**Global Security**"), deposited with, and registered in the name of a nominee for, a common depositary of Euroclear and Clearstream, Luxembourg.

Investors may hold their interests in the Global Security directly through the Clearing Systems if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

None of the Clearing Systems is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Ownership of interests in the Global Security (the "**Book-Entry Interests**") will be limited to Direct Participants. The Book-Entry Interests in the Global Security will be issued only in denominations of £200,000 and integral multiples of £1,000 in excess thereof.

The Book-Entry Interests will not be evidenced other than by entry in the records of the relevant Clearing System. The Clearing Systems will credit on their book-entry registration and transfer systems a Direct Participant's account with the interest beneficially owned by such Direct Participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Securities are in global form, owners of any interest in the Global Security will not have the Securities registered in their names, will not receive physical delivery of the Securities in certificated form other than in the circumstances described below.

Issuance of Definitive Securities

Under the terms of the Global Security, the Global Security will only be exchanged for definitive Securities in registered form (the "**Definitive Securities**") if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, and no alternative clearing system satisfactory to the Trustee and the Issuer is available, in which case a Securityholder may give notice to the Registrar and the Transfer Agent to exchange the Global Security for Definitive Securities.

In such an event, the Registrar will issue and deliver Definitive Securities, registered in the relevant name or names and issued in any approved denominations, requested by or on behalf of the relevant Clearing System or the Issuer, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Securities will bear the applicable restrictive legend set forth in "*Subscription and Sale*".

Redemption of the Global Security

In the event the Global Security, or any portion thereof, is redeemed, the relevant Clearing System will distribute the amount received by it in respect of the Global Security so redeemed to the holders of the Book-Entry Interests in the Global Security from the amount received by it in respect of the redemption of the Global Security. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the relevant Clearing System in connection with the redemption of the Global Security (or any portion thereof). The Issuer understands that under existing practices of the relevant Clearing System if fewer than all of the Securities are to be redeemed at any time, the relevant Clearing System will credit their respective Direct Participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

Payments on the Global Security

Payments of amounts owing in respect of the Global Security (including principal, Distributions and Additional Amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the relevant Clearing System or their nominee, which will distribute such payments to Direct Participants in accordance with their respective procedures. Payment of any amounts due and payable under or in respect of the Securities by or on behalf of the Issuer to or to the order of the nominee (as registered holder) for the Clearing Systems will discharge the Issuer's obligations in respect of such payment *pro tanto*, and owners of Book-Entry Interests in the Securities must look to the Clearing Systems or, as the case may be, the Participant(s) through which they hold their Book-Entry Interests, for their share of any payment so made.

Under the terms of the Trust Deed, the Issuer, the Trustee and the Paying Agents will treat the registered holder of the Global Security as the owner thereof for the purpose of receiving payments. Consequently, none of the Issuer, the Trustee, the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of the Clearing Systems or any Participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by the Clearing Systems or any Participant, or for maintaining, supervising or reviewing the records of the Clearing Systems or any Participant relating to, or payments made on account of, a Book-Entry Interest; or

- payments made by the Clearing Systems or any Participant, or for maintaining, supervising or reviewing the records of the Clearing Systems or any Participant relating to or payments made on account of a Book-Entry Interest; or

- the Clearing Systems or any Participant.

Payments by Indirect Participants to owners of Book-Entry Interests held through Direct Participants are the responsibility of such Participants.

The principal of, Distributions on, and all other amounts payable in respect of, the Global Security will be paid in pounds sterling.

Euroclear and Clearstream, Luxembourg

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, Luxembourg, as applicable.

The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. The Issuer is not responsible for those operations or procedures.

Euroclear and Clearstream, Luxembourg hold securities for participating organisations. They facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of the Clearing Systems as the holder of a Book-Entry Interest in the Securities evidenced by the Global Security must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by or on behalf of the Issuer to or to the order of the registered holder of the Global Security (being the nominee for the common depositary of the Clearing Systems) and in relation to all other rights arising under the Global Security, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Securities evidenced by the Global Security, the common depositary by whom such Security is held, or nominee in whose name it is registered, will immediately credit the relevant Direct Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the Global Security held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Such persons shall have no claim directly against the Issuer in respect of payments due on the Securities for so long as the Securities are evidenced by the Global Security and the obligations of the Issuer will be discharged by payment to the registered holder of the Global Security in respect of each amount so paid. None of the Issuer, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Security, or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Securities

Subject to the rules and procedures of each applicable Clearing System, purchases of Securities held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Securities on the Clearing System's records. The ownership interest of each actual purchaser of each such Security (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Securities held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Securities, unless and until interests in any Global Security held within a Clearing System are exchanged for Definitive Securities.

No Clearing System has knowledge of the actual Beneficial Owners of the Securities held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Global Clearance and Settlement under the Book-Entry System

Investors will only be able to make and receive deliveries, payments and other communications involving Securities through the Clearing Systems on days when those systems are open for business.

Although the Clearing Systems currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Security among participants in the Clearing Systems, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the Paying Agents will have any responsibility for the performance by the Clearing Systems or their respective Participants, of their respective obligations under the rules and procedures governing their operations.

Calculation of Distributions

Notwithstanding Condition 5.3, for so long as all of the Securities are represented by the Global Security, the amount of Distributions payable (subject to cancellation as provided in the Conditions) on each Distribution Payment Date will be calculated by reference to the aggregate outstanding principal amount of Securities represented by the Global Security and not per Calculation Amount.

Automatic Write Down

In the event of an Automatic Write Down following a Loss Absorption Event, the principal amount of each Global Security will be written down and cancelled. All Book-Entry Interests in the Clearing Systems representing interests in the Global Security will also be cancelled in full in accordance with the procedures of the relevant Clearing System and will not be restored in any circumstances thereafter.

Notices

For so long as all of the Securities are represented by the Global Security and the Global Security is registered in the name of a nominee for the common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Securityholders may be given, in substitution for delivery as required by Condition 17, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by such Clearing Systems to the relevant Participants. Such notice shall be deemed to have been given on the date of delivery of the notice to Euroclear and/or Clearstream, Luxembourg (as applicable) for such communication.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed or admitted to trading.

Notices to be given by any Securityholder shall be in writing and given by lodging the same together (in the case of any Security in definitive form) with the relevant Security, with the Registrar. Whilst the Securities are represented by a Global Security, such notice may be given by any Securityholder to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Prescription

Claims in respect of principal of and/or Distributions in respect of the Global Security will become prescribed unless made within a period of 10 years in the case of principal and five years in the case of Distributions from the Relevant Date (as defined in Condition 9) relating thereto.

Clearing Systems

References herein to Euroclear and/or Clearstream, Luxembourg and/or the Clearing Systems shall be deemed to include references to any other clearing system in which the Securities are, for the time being and with the approval of the Trustee, traded or cleared.

Business Description

DESCRIPTION OF THE ISSUER AND THE GROUP

Background

The Issuer is a public limited company incorporated and registered in England and Wales under the Companies Act 2006. It was incorporated on 23 September 2013 as a private limited company with registered number 8700698 with the name Nuevo Topco Limited. On 16 December 2013, the Issuer changed its name to Santander UK Group Limited. On 22 January 2014, the Issuer changed its name to Santander UK Group Holdings Limited. On 25 March 2015, the Issuer reregistered as a public limited company. On 10 January 2014, the Issuer became the holding company of Santander UK plc following its acquisition of Santander UK from Banco Santander, S.A. ("**Banco Santander**") and Santusa Holding, S.L. ("**Santusa Holding**").

The principal executive office and registered office of the Issuer is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of the Issuer is +44 (0) 800 389 7000. The Issuer's principal operating subsidiary is Santander UK. Santander UK was originally formed as a building society and was registered in 1944 under the name Abbey National Building Society with registration number 1B. It is now a public limited liability company incorporated and registered in England and Wales under the Companies Act 2006. It was incorporated on 12 September 1988 with registered number 2294747. Santander UK is a wholly-owned subsidiary of the Issuer.

The Issuer is a subsidiary of Banco Santander and Santusa Holding. Banco Santander and its subsidiary Santusa Holding together hold the entire issued share capital of the Issuer.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of Santander UK is +44 (0) 800 389 7000.

The Issuer and Santander UK operate on the basis of a unified business strategy, albeit the principal business activities of the Group are carried on by Santander UK and its subsidiaries.

Corporate Purpose

The Group's purpose is to help people and business prosper.

Business and Support Divisions

The Group operates four business divisions as follows:

Retail & Business Banking (formerly Retail Banking)

Retail & Business Banking consists of two business units: Homes and Everyday Banking. Homes provides prime UK mortgage lending to owner occupiers and buy-to-let landlords with small portfolios. Everyday Banking provides banking services and unsecured lending to individuals and small businesses, as well as wealth management for high-net-worth individuals.

Corporate and Commercial Banking

Corporate and Commercial Banking provides banking products and services to SMEs, mid-sized and larger corporates, typically with annual turnovers of between £2m and £500m, as well as to Local Authorities and Housing Associations.

Consumer Finance

Consumer Finance provides prime auto consumer financing for individuals, businesses, and automotive distribution networks.

Corporate Centre

Corporate Centre provides treasury services for asset and liability management of the Group's balance sheet.

Directors of the Issuer

The following table sets forth the directors of the Issuer:

Position	Name	Other Principal Activities
Chair	William Vereker	Chair, Santander UK plc Non-Executive Director to the London Stock Exchange Group Plc Member of the UK Prime Minister's Investment Council Chairman of Advisory Board of Gonville and Caius College, Cambridge. Member and Special Advisor of the Investment Committee at Delancey Credit and Income Fund GP Member of the Customer Advisory Board at Celonis, Inc.
Executive Director and Chief Executive Officer	Mike Regnier	Chief Executive Officer, Santander UK plc
Executive Director and Chief Financial Officer	Angel Santodomingo	Chief Financial Officer and Executive Director, Santander UK plc
Banco Santander Nominated Non-Executive Director	Pedro Castro e Almeida	Non-Executive Director, Santander UK plc Director of PagoNxt S.L.
Independent Non-Executive Director, Employee Designated Director	Lisa Fretwell	Independent Non-Executive Director, Santander UK plc Non-Executive Director, Restore plc
Independent Non-Executive Director, Senior Independent Director	Ed Giera	Independent Non-Executive Director, Santander UK plc Non-Executive Director of Rothesay Life PLC Director of Rothesay Limited Partner of Boscobel Place Capital LLC Founder and Principal of E.J. Giera LLC

Position	**Name**	**Other Principal Activities**
Independent Non-Executive Director	Michelle Hinchliffe	Independent Non-Executive Director, Santander UK plc Independent Non-Executive Director of BHP Group Limited Independent Non-Executive Director of Macquarie Group Limited Independent Non-Executive Director of Macquarie Bank Limited
Independent Non-Executive Director	Mark Lewis	Independent Non-Executive Director, Santander UK plc Non-Executive Director of Santander Consumer (UK) plc Trustee of The Photographers Gallery Group Chairman of Iamproperty Independent Non-Executive Director of Direct Line Insurance Group plc
Banco Santander Nominated Non-Executive Director	Dirk Marzluf	Non-Executive Director, Santander UK plc Chairman of Santander Global Technology and Operations S.L. Director of PagoNxt Merchant Solutions S.L. Director of Ebury Partners Limited Director of PagoNxt Trade Solutions, S.L. Director of Santander Digital Assets, S.L. Director of Santander Consumer Holding, GmbH Director of Gravity Cloud Technology S.L.
Independent Non-Executive Director, Consumer Duty Champion	The Rt Hon. The Baroness Morgan of Cotes	Independent Non-Executive Director, Santander UK plc Non-Executive Director of Financial Services Compensation Scheme, Chair of the Careers & Enterprise Company Chair of the Association of British Insurers

Position	Name	Other Principal Activities
Independent Non-Executive Director	José María Roldán	Independent Non-Executive Director, Santander UK plc Non-Executive Director and Chair of Cater Allen Limited Independent Non-Executive Director of EBN Banco de Negocios, S.A.
Non-Executive Director	Pamela Walkden	Non-Executive Director, Santander UK plc Independent Non-Executive Director and Chair of the Audit Committee of Banco Santander, S.A. Member of the Advisory Board at JD Haspel Limited

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 800 389 7000.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and/or other duties.

Credit Ratings

As at the date of this Offering Memorandum, the long-term obligations of the Issuer are rated BBB by S&P, Baa1 by Moody's and A by Fitch, and the short-term obligations of the Issuer are rated A-2 by S&P, P-2 by Moody's and F1 by Fitch.

Regulation of the Group

As a financial services group, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK and in each other location in which the Group operates. This intensive approach to supervision is maintained in the UK by the PRA and the FCA. As well as being subject to UK regulation, as a result of forming part of the Banco Santander Group, the Group is also affected by other regulators, such as the Banco de España and the ECB, as well as various legal and regulatory regimes (including in the U.S.) that have extra-territorial effect. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the U.S., the EU and other jurisdictions. In the UK and elsewhere, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the UK banking sector and in the major financial institutions in which the UK government has a direct financial interest is likely to continue.

Approach of the FCA

As per FSMA, the FCA's strategic objective is to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers. Following the entry into force of the FSMA 2023, the FCA also has a secondary competitiveness and growth objective, to facilitate the international competitiveness and medium- to long-term growth of the UK economy.

The FCA Handbook sets out rules and guidance across a range of issues with which financial institutions are required to comply, including high level principles of business and detailed conduct of business standards and reporting standards.

Approach of the PRA

As per FSMA, the PRA's general objective is to promote the safety and soundness of the firms which it regulates (with respect to insurance, the PRA also has a second objective of contributing to the securing of an appropriate degree of protection for policyholders). The PRA also has a secondary objective to facilitate effective competition in the markets for services provided by PRA authorised firms and, following the entry into force of the FSMA 2023, is subject to the same secondary competitiveness and growth objective as the FCA.

The PRA Rulebook includes rules relating to capital adequacy and liquidity, among several other things.

U.S. regulation

Within the Dodd-Frank Act, the so-called Volcker Rule, prohibits 'banking entities', including the Group, from engaging in certain forms of proprietary trading or from sponsoring or investing in certain covered funds, in each case subject to certain exemptions, including exemptions permitting foreign banking entities to engage in trading and fund activities that take place solely outside of the U.S. The Volcker Rule also contains exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, and also permits ownership interests in certain types of funds to be retained such as credit funds, venture capital funds, family wealth management vehicles and client facilitation vehicles. The Group has policies, procedures and controls in place designed to achieve compliance with the Volcker Rule.

The Banking Act 2009

The special resolution regime set out in the Banking Act provides HMT, the BoE, the PRA and the FCA with a variety of powers for dealing with UK deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a bridge bank. The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

The Financial Services (Banking Reform) Act 2013 further amended the Banking Act to introduce a UK ‘bail-in power’ to implement the BRRD, which contains a bail-in power similar to that contained in the Banking Act and requires EU Member States to provide resolution authorities with the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured claims to equity (subject to certain parameters). The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act. This enables them to recapitalise a failed institution by allocating losses to such institution’s shareholders and unsecured creditors, subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order.

Competition

The CMA is the UK’s main competition authority responsible for ensuring that competition and markets work well for consumers. In addition, under the Banking Reform Act, as of 1 April 2015, the FCA has the power to enforce against breaches of the Competition Act 1998 and to refer markets to the CMA for in-depth investigation in the areas of financial services in the UK. As of 1 April 2015, the PSR also has an objective and powers equivalent to those of the FCA to promote competition in the payments industry.

Payments

Within the UK, the PSR has mandated that the Group builds systems and processes for both Confirmation of Payee as well as the CRM both of which aim to reduce the level of customer fraud (particularly through the Group's customers‘ manipulation into making payments known as APP fraud). These standards have been implemented by the Group. From October 2024, Santander UK will also be subject to the PSR’s mandatory reimbursement requirement, requiring it to reimburse APP scam victims subject to certain exceptions, excesses and maximums. Under these standards and rules, the Group assumes responsibility for certain categories of customer losses, and inherent failings in system design may lead to fines from regulators and/or compensation being paid to customers.

The Group also expects to see significant developments in the key UK payment systems architecture with systems update of the high value CHAPS system through RTGS renewal as well as the "New Payments Architecture" for faster payments, BACS and the other lower value retail payment schemes. The Payment Services Regulations 2017 have been implemented in the UK and the Group has built open access to third-party providers via the Open Banking API industry standard.

Finally, the Group remains within the SEPA Payment Scheme and continues to send SEPA Euro Payments via Madrid to EEA beneficiaries. However, as it is not domiciled in the EU, it has needed to exit the other (high value) Euro payment schemes, such as EURO1 and Target 2. It has negotiated arrangements to access those systems via Madrid and an agreement has been agreed and is operational.

Financial crime

On 9 July 2018, Directive (EU) 2018 / 843 ("**MLD5**") amending the Fourth Money Laundering Directive (EU) 2015/849) (MLD4), entered into force.

MLD5 brought in increased corporate transparency rules, introduced the application of AML rules to firms providing services associated with virtual currencies and further extended enhanced due diligence ("**EDD**") requirements to all transactions with natural persons or legal entities established in third countries identified as high-risk countries ("**HRTCs**").

The UK transposed MLD5 into UK law on 20 December 2019, amending the MLRs through the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The latter came into effect on 10 January 2020 and, among other changes, introduced a requirement to report beneficial ownership discrepancies to Companies House. Further amendments to the MLRs were made by, among other instruments, the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020.

On 26 March 2021, a new statutory instrument published by HMT, the Money Laundering and Terrorist Financing (Amendment) (High-Risk Countries) Regulations 2021 entered into force, amending the MLRs by replacing references to the European Commission's list of HRTCs (in respect of which EDD and additional specific EDD measures must be taken under the MLRs) with a UK-specific list identified in a new Schedule 3ZA to the MLRs. This was the first exercise of the powers in section 49 of the Sanctions and Anti-Money Laundering Act 2018 ("**SAMLA**"). Following the entry into force of the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) Regulations 2024 on 23 January 2024, the UK no longer maintains this separate list of HRTCs in Schedule 3ZA to the MLRs. Instead, the MLRs' definition of an HRTC implements, and is updated automatically with reference to, two lists published by the Financial Action Task Force ("**FATF**"), being the "High-Risk Jurisdictions subject to a Call for Action" and the "Jurisdictions under Increased Monitoring".

In July 2021, the UK government launched two consultations on the MLRs. The first targeted specific changes to align the UK's AML/CTF regime with amendments to FATF standards and to introduce certain technical changes. The second was a "Call for Evidence" examining the effectiveness and future state of the UK's AML/CTF regime. Both consultations closed in October 2021. On 24 June 2022, the UK government published a forward-looking review of the UK's

AML/CTF regime in response to the 'Call for Evidence' focusing on systemic effectiveness, regulatory effectiveness and supervisory effectiveness. Following the publication of the Money Laundering and Terrorist Financing (Amendment) Regulations 2022, which came into force on 9 March 2022, and served to make certain time-sensitive updates to ensure the UK continued to meet international standards, the UK government published the Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022 in response to their 2021 consultation, which came into force on 1 September 2022 (with specific measures coming into force on various dates in 2022 and 2023). These amendments include, amongst others, specific obligations in respect of addressing proliferation financing risk and amendments to the beneficial ownership discrepancy reporting regime, including discrepancy reporting obligations in respect of the Register of Overseas Entities introduced by ECTEA which came into force on 15 March 2022. Additional key changes introduced by ECTEA included strengthening aspects of the unexplained wealth orders ("**UWO**") regime, streamlining the process of making sanctions and introducing 'strict liability' for breaches of sanctions. On 26 October 2023, ECCTA gained royal assent. ECCTA aims to deliver long-awaited reforms to tackle economic crime and improve transparency over corporate entities, such as reforms to Companies House over a multi-year period, reform of the identification doctrine (broadening the scope of corporate criminal liability), the introduction of an offence of failure to prevent fraud and the expansion of intra-private sector information sharing rules for the purposes of preventing and detecting economic crime. Some of ECCTA's provisions are already in force, while others are due to come into force in 2024.

Further legal and regulatory changes are expected during 2024, including the management of domestic politically exposed persons and their associates, as set out in FSMA 2023, new proposals for a 'Suspended Accounts Scheme' as set out in the Criminal Justice Bill 2023-24, possible changes to account closure rules and potential changes to the MLRs. The government is expected to also continue to take forward a series of non-legislative reforms that will impact the financial crime landscape, as committed to in keynote strategic publications such as the Economic Crime Plan 2 and Fraud Strategy.

To ensure regulatory continuity post-Brexit, the government introduced SAMLA to provide a legal framework through which it can impose and update sanctions following the UK's departure from the EU. SAMLA grants the UK government the authority to introduce statutory instruments to enable compliance with United Nations sanctions and other international obligations, and to meet defined discretionary purposes such as promoting national and international peace and security. SAMLA broadly mirrors the EU sanctions regime but enables the UK to act independently by imposing sanctions regulations swiftly without the need to reach a consensus with other EU member states.

The U.S. government has continued to actively apply and enforce sanctions against individuals, entities and countries. U.S. sanctions are subject to change without warning and may affect the Group's ability to transact with certain individuals and entities and to operate in certain jurisdictions.

The UK, EU and U.S. are expected to continue to use sanctions to pursue their foreign policy interests and objectives, and the imposition of new, additional, and/or enhanced sanctions is and will remain unpredictable. Any changes in UK, EU and/or U.S. sanctions could affect the Group's business.

The banking sector in the UK continues to be subject to the Suspicious Activity Reporting ("**SAR**") regime laid out in the Proceeds of Crime Act 2002. The regime is one of the key tools to inform law enforcement agencies and the National Crime Agency of suspicious (potentially money laundering or terrorist financing) activity. In 2018, the UK government asked the Law Commission to conduct a review of the legislation underpinning the regime. The review was completed in July 2019 and concluded that the breadth of the legal framework, including the pressure to submit SARs that is driven by individual criminal liability for failing to submit one when 'suspicious', means that the SARs regime suffers from very large reporting volumes.

The UK's SARs Reform Programme, which operates within the confines of the government's Economic Crime Plans (1 and 2), has increased staff in the UK Financial Intelligence Unit ("**UKFIU**") and Regional Organised Crime Units and delivered the release of the SAR Portal which opened to all firms during September 2023, replacing the SARs Online System. The SARs Reform Programme also aims to enhance UKFIU's analytical capabilities, and to increase engagement with and feedback to the private sector.

Anti-corruption continues to be a key focus of the UK government's approach to economic crime. ECTEA contains provisions which seek to tackle corruption through increased transparency of overseas ownership of UK land and real estate and the strengthening of the UWO regime. The UK government's previous anti-corruption strategy lasted from 2017 to 2022, and it may release a new strategy in 2024.

Anti-corruption remains a topic of global focus, as illustrated by President Biden's 'Protecting Democracy' summit in December 2021 during which the U.S. released its first strategy on Countering Corruption and more recently U.S. National Security Advisor Jake Sullivan's speech at the December 2022 International Anti-Corruption Conference. Sullivan reiterated President Biden and the U.S. administration's commitment to working with other countries to champion democracy and fight corruption. To implement the U.S. anti-corruption strategy, the U.S. Department of State issued the U.S. Strategy on Countering Corruption Implementation Plan, further strengthening President Biden's commitment to the anti-corruption agenda.

Consumer Duty

The FCA has introduced a new Consumer Duty that aims to enhance and improve consumer protections. The Consumer Duty has three elements: (i) a "Consumer Principle" which reflects the overall standards of behaviour the FCA expects from firms (a firm must act to deliver good outcomes for retail customers), (ii) three cross-cutting rules that articulate the standards of conduct expected under the Consumer Principle (firms must act in good faith towards retail customers, avoid causing foreseeable harm to retail customers and enable and support retail customers to pursue their financial objectives) and (iii) four outcomes that build on the Consumer Principle and cross-cutting rules, comprising a suite of rules and guidance setting more detailed expectations for a firm's conduct in four areas that represent the key elements of the firm-consumer relationship (product design and governance, price and value, consumer understanding and consumer support). Since 31 July 2023, the Consumer Duty has applied to all open products and services offered by firms, banks and financial institutions. For closed products and services, the Consumer Duty rules come into force on 31 July 2024.

Taxation

United Kingdom Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom law and HMRC practice, describe the United Kingdom withholding tax treatment of payments of Distributions in respect 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. They are not exhaustive. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

While the Securities are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007 ("**ITA**"), payments of Distributions on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax. The securities are "listed on a recognised stock exchange" if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The ISM is a recognised stock exchange for these purposes. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the ISM will be regarded as "listed on a recognised stock exchange" for these purposes. Whilst the Securities are and continue to be so listed, payments of Distributions by the Issuer on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases, absent any other relief or exemption (such as a direction by HMRC that Distributions may be paid without withholding or deduction for or on account of United Kingdom tax to a specified Securityholder following an application by that Securityholder under an applicable double tax treaty), an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from payments of Distributions on the Securities.

Foreign Account Tax Compliance Act

As a result of Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 and related Treasury regulations (collectively, "**FATCA**") and the intergovernmental agreement relating to FATCA between the United States and the United Kingdom (the "**U.S. – UK IGA**"), as well as applicable UK regulations implementing the U.S. – UK IGA, the Issuer may be required to comply with certain reporting requirements. It is also possible that payments on the Securities may be subject to a withholding tax of 30 per cent. However, assuming the Issuer complies with any applicable reporting requirements pursuant to the U.S. – UK IGA, the Issuer would generally not be required to withhold tax under FATCA from payments in respect of the Securities.

The Issuer will not pay Additional Amounts on account of any withholding tax imposed by FATCA. FATCA is particularly complex. Each prospective holder of the Securities should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstances.

Subscription and Sale

Pursuant to a Security Purchase Agreement dated 26 April 2024 between the Issuer and Banco Santander, S.A., Banco Santander, S.A. has agreed with the Issuer to subscribe for the Securities at a price equal to 100 per cent. of the principal amount of the Securities. The Securities have been fully subscribed for by Banco Santander, S.A.

The Global Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY 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. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS GLOBAL SECURITY OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS GLOBAL SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT."

Any Definitive Registered Securities will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY 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.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS DEFINITIVE SECURITY IS ISSUED, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY, AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH SECURITIES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED TO A NON-U.S. PERSON IN AN

OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS DEFINITIVE SECURITY AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND."

General Information

1. The Global Security has been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 281086502 and an ISIN of XS2810865027.

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

3. Subject to cancellation of Distributions as provided herein, and provided the Securities are not redeemed or cancelled earlier as provided herein, the yield of the Securities from 3 May 2024 to the First Reset Date is 8.750 per cent., on a quarterly basis. The yield is calculated as at the Issue Date on the basis of the issue price and the Initial Distribution Rate of 8.750 per cent. per annum. It is not an indication of future yield.

4. Application has been 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 23 May 2024. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities. The issue of the Securities has been authorised by a resolution of the Board of Directors of the Issuer passed on 13 October 2022 and a resolution of a committee of Directors of the Issuer passed on 30 January 2023.

5. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

6. There has been no significant change in the financial position or financial performance of the Issuer or the Group since 31 December 2023 (the date of the Issuer's last published audited consolidated annual financial statements). There has been no material adverse change in the prospects of the Issuer since 31 December 2023 (the date of the Issuer's last published audited consolidated annual financial statements).

7. There are no, nor have there been any 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 period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Issuer or the Group.

8. The Offering Memorandum will be available for inspection on Santander’s website: https://www.santander.co.uk/about-santander/investor-relations/capital-issuances

9. Copies of the annual report and audited consolidated financial statements of the Issuer for the year ended 31 December 2022 and 31 December 2023, copies of this Offering Memorandum, the Trust Deed and the Agency Agreement and the constitutional documents of the Issuer will be available in electronic copy for inspection at the specified

offices of each of the Paying Agents during normal business hours, for as long as the Securities are admitted to trading on the ISM.

10. PricewaterhouseCoopers LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, the consolidated financial statements of the Issuer for the years ended 31 December 2022 and 31 December 2023. PricewaterhouseCoopers LLP does not have any interest in the Issuer.

11. There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Securityholders in respect of the Securities.

12. The Issuer's Legal Entity Identifier (LEI) is 549300F5XIFGNNW4CF72.

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