



# Secure Trust Bank PLC

(incorporated with limited liability in England and Wales with registered no. 00541132)

## **£90,000,000 13.000 per cent. Fixed Rate Reset Callable Subordinated Notes due 2033**

### **Issue price: 100.000 per cent.**

The £90,000,000 13.000 per cent. Fixed Rate Reset Callable Subordinated Notes due 2033 (the “Notes”) will be issued by Secure Trust Bank PLC (the “Issuer”) on or about 28 February 2023 (the “Issue Date”).

The Notes will bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) 28 August 2028 (the “Reset Date”), at a rate of 13.000 per cent. per annum and thereafter at the Reset Rate of Interest (as defined in the “Terms and Conditions of the Notes” (the “Conditions”, and references to a numbered “Condition” should be read accordingly)). Interest will be payable on the Notes in equal instalments semi-annually in arrear on 28 February and 28 August in each year (each an “Interest Payment Date”), commencing on 28 August 2023.

Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6(f) substituted, the Notes will mature on 28 August 2033. Holders will have no right to require the Issuer to redeem or purchase the Notes at any time prior to maturity. The Issuer may, in its sole discretion but subject to obtaining Regulatory Approval (as defined in the Conditions) and compliance with the other applicable pre-conditions set out in Condition 6(b), elect to redeem all (but not some only) of the Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, (i) at any time in the six months prior to (and including) the Reset Date or (ii) at any time following the occurrence of a Capital Disqualification Event or a Tax Event (each as defined in the Conditions). If a Capital Disqualification Event or a Tax Event occurs, the Issuer may alternatively, subject to certain conditions but without any requirement for the consent or approval of the Holders, substitute or vary the Notes at any time for, or so that they become or remain, Compliant Securities, as further described in Condition 6(f). The Issuer or any of its Subsidiaries (as defined in the Conditions) may also, subject to obtaining Regulatory Approval and compliance with the other applicable pre-conditions set out in Condition 6(b), purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements (as defined in the Conditions).

The Notes will constitute direct, unsecured and unguaranteed obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the Winding-Up of the Issuer, be subordinated to the claims of all Senior Creditors of the Issuer but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital.

Application has been made for the Notes to be admitted to trading on the International Securities Market (the “ISM”) of the London Stock Exchange plc (the “London Stock Exchange”). The Notes are a new issue of notes and there is currently no established trading market for the Notes. There can be no assurance that an active trading market will develop for the Notes, that the Notes will be able to be sold at a particular time or that the prices the Notes sell for will be favourable. The ISM of the London Stock Exchange is not a United Kingdom (“UK”) regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No. 600/2014 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”) (“UK MiFIR”).

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

These Admission Particulars do not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the “UK Prospectus Regulation”). These Admission Particulars have been prepared solely with regard to the Notes, which are: (i) not to be admitted to listing or trading on a UK regulated market for the purposes of Article 2(1)(13A) of UK MiFIR; and (ii) not to be offered to the public in the UK (other than pursuant to one or more of the exemptions set out in Article 1(4) of the UK Prospectus Regulation). These Admission Particulars have not been approved or reviewed by any regulator which is a competent authority under the UK Prospectus Regulation.

**Prohibition on marketing and sales of the Notes to retail investors** – The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available, to any retail investors in the European Economic Area (the “EEA”) or the UK.

The Issuer does not intend to apply for a credit rating for the Notes.

The Notes will be issued in registered form and available and transferable in minimum amounts of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will initially be represented by a global certificate in registered form (the “**Global Certificate**”) and will be registered in the name of a nominee of a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**” and, together with Euroclear, the “**Clearing Systems**”).

**Structuring Adviser and Sole Bookrunner**

**NatWest Markets**

Admission Particulars dated 24 February 2023

## IMPORTANT NOTICE

These Admission Particulars comprise admission particulars in accordance with the London Stock Exchange's International Securities Market Rulebook effective as of 1 January 2021 (the "**ISM Rulebook**") and contain all information which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the ability of the Issuer to meet its obligations to Holders.

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

None of the Sole Bookrunner (as defined in the section headed "*Subscription and Sale*"), the Trustee and the Agents (each as defined in the Conditions) or any of their respective affiliates has verified the contents of these Admission Particulars or makes any representation or warranty or accepts any responsibility as to the accuracy and completeness of the information contained in these Admission Particulars, and to the fullest extent permitted by law they accept no responsibility whatsoever for the contents of these Admission Particulars or for any other statement, made or purported to be made by the Sole Bookrunner, the Trustee or an Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Sole Bookrunner, the Trustee and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of these Admission Particulars or any such statement.

Certain information in these Admission Particulars has been extracted or derived from independent sources. Where this is the case, the source has been identified. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

These Admission Particulars are to be read in conjunction with all documents which are deemed to be incorporated by reference herein (see the section headed "*Information Incorporated by Reference*"). These Admission Particulars should be read and construed on the basis that such documents are incorporated in and form part of these Admission Particulars.

No person is or has been authorised by or on behalf of the Issuer, the Sole Bookrunner, the Trustee or the Agents to give any information or to make any representation not contained in or not consistent with these Admission Particulars or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Sole Bookrunner, the Trustee or the Agents.

Neither these Admission Particulars nor any other information supplied in connection with the offering of the Notes: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer that any recipient of these Admission Particulars or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither these Admission Particulars nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes in any jurisdiction where such offer or invitation is not permitted by law.

Neither the delivery of these Admission Particulars nor the offering, placing, sale or delivery of the Notes 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 the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the 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: (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in these Admission Particulars or any applicable supplement; (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency; (d) understands thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Such instruments may be considered by investors who are in a position to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

These Admission Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Admission Particulars and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that these Admission Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and it does not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes or the distribution of these Admission Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Admission Particulars 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 these Admission Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Admission Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Admission Particulars and the offer or sale of Notes in the United States and the UK.

**PRIIPs Regulation/Prohibition of Sales to EEA Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail

investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs Regulation/Prohibition of Sales to UK Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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 Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

## **FORWARD-LOOKING STATEMENTS**

Certain information contained in these Admission Particulars and any documents incorporated by reference in them including, without limitation, any information as to the Issuer’s strategy, market position, plans or future financial or operating performance, constitutes “forward looking statements”. All statements, other than statements of historical fact, are forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including, without limitation, the terms “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intend”, “continue”, “budget”, “project”, “aim”, “estimate”, “may”, “will”, “could”, “should”, “seeks”, “predicts”, “schedule” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plan, objectives, goals, future events or intentions.

Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer, are inherently subject to significant business, economic and competitive

uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking statements. Such factors include, but are not limited to:

- changes in the macroeconomic environment in which the Issuer and its customers operate, including interest rate volatility and the impacts of inflation;
- the Issuer's ability to navigate changes in the competitive or regulatory environment, including in relation to tax and accounting;
- the performance of the markets in the UK;
- the Issuer's ability to obtain additional financing or maintain sufficient capital to fund its existing and future investments;
- the Issuer's reliance on third parties and intermediaries;
- the Issuer's ability to maintain its client base;
- the occurrence of failing IT infrastructure and system breaches; and
- deterioration of customer and counterparty credit quality.

Investors are cautioned that forward looking statements are not guarantees of future performance. Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in these Admission Particulars speak only as of the date they are made, where stated to reflect the views of the board of the Issuer do so as of the date they are made with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's or the Group's operations, results of operations, strategy, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in these Admission Particulars that could cause actual results to differ before making an investment decision. All of the forward looking statements made in these Admission Particulars are qualified by these cautionary statements.

In these Admission Particulars, references to the "**Group**" are to Secure Trust Bank PLC and its subsidiaries, taken as a whole. The term "**Issuer Group**" has the meaning given to it in Condition 19 of the Conditions.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### **Currencies and Other Defined Terms**

In these Admission Particulars, all references to “GBP”, “pounds sterling” or “£” are to the lawful currency of the UK.

Unless otherwise indicated, the financial information contained in these Admission Particulars has been expressed in pounds sterling. The Issuer’s functional currency is pounds sterling and the Issuer prepares its financial statements in pounds sterling.

Any reference in these Admission Particulars to any year is, unless otherwise indicated, a reference to the 12 months ended on 31 December of the stated year.

### **Market, Economic and Industry Data**

These Admission Particulars contain information regarding the Issuer’s and the Group’s business and the industry in which it operates and competes, some of which the Issuer has obtained from third-party sources. The Issuer and other institutions operating in the financial services industry make available a wide range of financial and operational information to regulatory and market bodies, including the Bank of England. These bodies use the data supplied to publish market share statistics relating to residential lending and savings, among other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable.

In some cases, independently determined industry data is not available. In these cases, any market share of the Issuer included in these Admission Particulars is referred to as having been estimated. All such estimates have been made by the Issuer using its own information and other market information which is publicly available. All such estimations have been made in good faith based on the information available and the Issuer’s knowledge of the market within which it operates.

Where third-party information has been used in these Admission Particulars, the source of such information has been identified. With respect to such third-party information, this information has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In the case of the presented economic and statistical information, similar information may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Where information has not been independently sourced, it is the Issuer’s own information.

### **Rounding**

Certain data in these Admission Particulars has been rounded. As a result of such rounding, the totals of data presented in tables in these Admission Particulars may vary slightly from the arithmetic totals of such data.

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## OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview refers to certain provisions of the terms and conditions of the Notes and is qualified by the more detailed information contained elsewhere in these Admission Particulars. Capitalised terms which are defined in the Conditions have the same meaning when used in this overview. References to numbered Conditions are to the conditions of the Notes as set out under “Terms and Conditions of the Notes” below.

<b>Issuer</b>	Secure Trust Bank PLC
<b>Legal Entity Identifier</b>	213800CXIBLC2TMIGI76
<b>Sole Bookrunner</b>	NatWest Markets Plc
<b>Trustee</b>	U.S. Bank Trustees Limited
<b>Registrar</b>	Elavon Financial Services DAC
<b>Notes</b>	£90,000,000 13.000 per cent. Fixed Rate Reset Callable Subordinated Notes due 2033.
<b>Risk Factors</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out in the section headed “ <i>Risk Factors</i> ”.
<b>Status of the Notes</b>	The Notes will constitute direct, unsecured and unguaranteed obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Notes (including any damages awarded for breach of obligations in respect thereof) will be subordinated as described in Condition 4.
<b>Rights on a Winding-Up</b>	The rights and claims of Holders (and the Trustee on their behalf) in the event of a Winding-Up of the Issuer are described in Conditions 3 and 4.
<b>No Set-off</b>	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of its holding of any Note (or any beneficial interest therein), be deemed, to the fullest extent permitted by applicable law, to have waived all such rights of set-off, compensation, counterclaim or retention.
<b>Issue Date</b>	28 February 2023
<b>Issue Price</b>	100.000 per cent.
<b>Interest</b>	The Notes will bear interest on their principal amount: (a) from (and including) the Issue Date to (but excluding) the Reset Date, at the rate of 13.000 per cent. per annum; and (b) thereafter, at the Reset Rate of Interest (as described in Condition 5(d)),

in each case payable in equal instalments semi-annually in arrear on 28 February and 28 August in each year (each, an “**Interest Payment Date**”), commencing 28 August 2023.

**Reset Date**

28 August 2028

**Maturity**

Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6(f)) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest on 28 August 2033. The Notes may only be redeemed or repurchased by the Issuer in the circumstances described below (as more fully described in Condition 6).

**Optional redemption**

The Issuer may, in its sole discretion but subject to the conditions set out under “*Conditions to Redemption, Substitution, Variation and Purchase*” below, elect to redeem all (but not some only) of the Notes at any time in the six months prior to and including the Reset Date at their principal amount together with any unpaid interest accrued to (but excluding) the date fixed for redemption.

**Redemption following a Capital Disqualification Event or a Tax Event**

The Issuer may, in its sole discretion but subject to the conditions set out under “*Conditions to Redemption, Substitution, Variation and Purchase*” below, elect to redeem all (but not some only) of the Notes at any time following the occurrence of a Capital Disqualification Event or a Tax Event, in each case at their principal amount together with unpaid interest accrued to (but excluding) the date fixed for redemption.

**Substitution and Variation following a Capital Disqualification Event or a Tax Event**

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to the conditions set out under “*Conditions to Redemption, Substitution, Variation and Purchase*” below, without any requirement for the consent or approval of the Holders, at any time (whether on, before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities.

**Conditions to Redemption, Substitution, Variation and Purchase**

Any redemption, substitution, variation or purchase of the Notes prior to their maturity will be subject to obtaining prior Regulatory Approval therefor and to:

- (a) in the case of any redemption or purchase of any Notes prior to the Maturity Date, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that either: (A) the Issuer has (or will, on or before the relevant redemption or purchase date, have) replaced the Notes with own fund instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or the Issuer Group; or (B) the own funds and eligible liabilities of the Issuer and the Issuer Group would, following such redemption or purchase, exceed its minimum applicable requirements (including any

- applicable buffer requirements) by a margin that the Supervisory Authority considers necessary at such time;
- (b) in the case of any redemption of the Notes prior to the fifth anniversary of the Reference Date, following a Tax Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;
  - (c) in the case of any redemption of the Notes prior to the fifth anniversary of the Reference Date, following a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change (or pending change) in the regulatory classification of the Notes was not reasonably foreseeable as at the Reference Date; and
  - (d) in the case of any purchase of the Notes prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g), either (A) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that it has (or will, on or before the relevant purchase date, have), replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or the Issuer Group (as the case may be), and the Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances, or (B) the relevant Notes are being purchased for market-making purposes in accordance with the then prevailing applicable Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of such redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit such redemption, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out in Condition 6(b), the Issuer shall (in addition or in the alternative, as the case may be) comply with such other, and/or, as appropriate, alternative or additional pre-condition(s).

Any refusal by the Supervisory Authority to give Regulatory Approval as contemplated above shall not constitute a default for any purpose.

#### **Purchase of the Notes**

The Issuer or any of its Subsidiaries may, subject to the conditions set out under “*Conditions to Redemption, Substitution, Variation and Purchase*” above, at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) any of the outstanding Notes at any price

**Withholding tax and Additional Amounts**

in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements.

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions, as described in Condition 9) pay such Additional Amounts as will result in receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required.

**Enforcement**

If the Issuer has not made payment of any amount in respect of the Notes for a period of 14 days or more (in the case of principal) or 21 days or more (in the case of any other amount in respect of the Notes) in each case after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Notes and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a Winding-Up in England but (save as provided below) may take no other action elsewhere or in respect thereof.

The Trustee may prove and/or claim in any Winding-Up of the Issuer (whether or not instituted by the Trustee) and shall have such claim as is set out in Condition 4(a).

The Trustee may, at its discretion and without notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of obligations) provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been due and payable by it pursuant to the Conditions and the Trust Deed. No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for a Winding-Up unless the Trustee, having become bound so to do, fails or is unable to do so within a period of 60 days and such failure or inability shall be continuing, in which case the Holder, with respect to the Notes held by it, shall have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in Condition 8.

See Condition 8 for further information.

### **Modification**

The Trust Deed contains provisions for convening meetings of Holders (including in a physical place or by any electronic platform (such as a conference call or videoconference) or a combination of such methods) to consider any matter affecting their interests, pursuant to which defined majorities of the Holders may consent to the modification of any of the Conditions or any of the provisions of the Trust Deed, and any such modification shall be binding on all Holders. The Trust Deed also provides that a written resolution signed by, or a resolution passed by way of electronic consents given by or on behalf of, the Holders of at least 75 per cent. in aggregate principal amount of the outstanding Notes shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held and will be binding on all Holders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

The Trustee may agree, without the consent of the Holders, to: (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error; and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. No modification to the Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have received Regulatory Approval therefor from the Supervisory Authority. The Trustee may, without the consent of the Holders, determine that any Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby. The agreement or approval of the Holders shall not be required in the case of any variation of the Conditions and/or the Trust Deed or any substitution of the Notes made pursuant to the relevant provisions of Condition 6(f).

### **Substitution of the Issuer**

The Trustee may, without the consent of the Holders but subject to the Issuer having received any requisite Regulatory Approval therefor from the Supervisory Authority, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute of the Issuer) as the new principal debtor under the Notes and the Trust Deed of (i) the Issuer's successor in business; or (ii) any Subsidiary of the Issuer or its successor in business subject to the Trustee being satisfied that:

- (a) such substitution will not be materially prejudicial to the interests of the Holders; and
- (b) certain other conditions set out in the Trust Deed being complied with.

<b>Rating</b>	The Issuer does not intend to apply for a credit rating for the Notes.
<b>Form</b>	The Notes will be issued in registered form. The Notes will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depository for the Clearing Systems.
<b>Denomination</b>	£100,000 and integral multiples of £1,000 in excess thereof.
<b>Clearing Systems</b>	Euroclear and Clearstream, Luxembourg.
<b>Listing</b>	Application has been made for the Notes to be admitted to trading on the ISM of the London Stock Exchange on or about the Issue Date. Securities admitted to trading on the ISM of the London Stock Exchange are not admitted to the Official List of the FCA.
<b>Selling restrictions</b>	<p>The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investors in the EEA or the UK, or in or into the United States or to, or for the account or benefit of, U.S. persons.</p> <p>See sections headed “<i>Prohibition on marketing and sales of the Notes to retail investors</i>” and “<i>Subscription and Sale</i>” for further information.</p>
<b>Recognition of UK Bail-in Power</b>	Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understandings between the Issuer and any Holder (or the Trustee on behalf of the Holders), by its acquisition of the Notes (or beneficial interest therein), each Holder will acknowledge, accept and agree that the Relevant Amounts Due arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and will acknowledge, accept and agree to be bound by the effects of such exercise, as more fully set out in Condition 17(c).
<b>Governing law</b>	The Trust Deed and the Notes, and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes, will be governed by, and construed in accordance with, English law.
<b>Submission to jurisdiction</b>	The Issuer will, in the Trust Deed, irrevocably agree for the benefit of the Trustee and the Holders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or

the Notes) and will accordingly submit to the exclusive jurisdiction of the English courts.

**Use of Proceeds**

The net proceeds of the issue of the Notes will be used for the general business purposes of the Issuer, which may include funding repurchases and/or redemptions, in whole or in part, of the Issuer's existing £25,000,000 6.75 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (ISIN: XS1854025415) and/or its £25,000,000 6.75 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (ISIN: XS1881799834), and to strengthen the capital base of the Issuer.

**ISIN**

XS2582783481

**Common code**

258278348

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, these Admission Particulars:

- (a) the following parts of the Issuer’s Interim Report for the six months ended 30 June 2022 (the “**2022 Interim Report**”):

<b>Part</b>	<b>Page</b>
Chief Executive’s statement	4 - 6
Financial review	7 - 13
Business review	14 - 16
Independent review report to Secure Trust Bank PLC	52 - 53
Condensed consolidated statement of comprehensive income	22
Condensed consolidated statement of financial position	23
Condensed consolidated statement of changes in equity	24 - 25
Condensed consolidated statement of cash flows	26
Notes to the financial statements	27 - 47
Appendix to the Interim Report (unaudited)	48 - 50

- (b) the following parts of the Issuer’s Annual Report & Accounts 2021 (the “**2021 Annual Report**”):

<b>Part</b>	<b>Page</b>
Chief Executive’s statement	5 - 7
Financial review	12 - 17
Directors’ report	93 - 96
Independent Auditor’s Report	98 - 107
Consolidated statement of comprehensive income	108
Consolidated statement of financial position	109
Company statement of financial position	110
Consolidated statement of changes in equity	111
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Consolidated statement of cash flows	113
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Notes to the consolidated financial statements	115 - 171
Five year summary (unaudited)	172
Appendix to the Annual Report (unaudited)	173 - 175



(c) the following parts of the Issuer’s Annual Report & Accounts 2020 (the “**2020 Annual Report**”):

<b>Part</b>	<b>Page</b>
Independent Auditor’s Report	103 - 112
Consolidated statement of comprehensive income	113
Consolidated statement of financial position	114
Company statement of financial position	115
Consolidated statement of changes in equity	116
Company statement of changes in equity	117
Consolidated statement of cash flows	118
Company statement of cash flows	119
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(d) the Issuer’s Pillar 3 Interim disclosures for 30 June 2022; and

(e) the Issuer’s Pillar 3 disclosures for the year ended 31 December 2021,

together, the “**Documents Incorporated by Reference**”.

The Documents Incorporated by Reference shall be incorporated in, and form part of, these Admission Particulars, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of these Admission Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Admission Particulars. Those parts of the Documents Incorporated by Reference in these Admission Particulars which are not specifically incorporated by reference in these Admission Particulars are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in these Admission Particulars. Any documents themselves incorporated by reference in the Documents Incorporated by Reference in these Admission Particulars do not form part of these Admission Particulars.

Copies of the Documents Incorporated by Reference may be obtained (without charge) from the “Results & Reports” area of the Issuer’s website at [www.securetrustbank.com](http://www.securetrustbank.com). For the avoidance of doubt, save for the Documents Incorporated by Reference, the information on this website or any website directly or indirectly linked to this website has not been verified and is not incorporated by reference into these Admission Particulars and investors should not rely on it.

## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Before investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Group and the industry in which it operates together with all other information contained in these Admission Particulars, including, in particular, the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in these Admission Particulars have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in these Admission Particulars and their specific circumstances.*

### RISKS RELATING TO THE GROUP

#### **The Group is subject to risks arising from the macroeconomic environment**

The Group operates exclusively within the UK and its performance is influenced by the macroeconomic environment in the UK. As the Group’s revenue is derived almost entirely from customers operating in the UK, the Group is particularly exposed to the condition of the UK economy. Customers’ borrowing demands are variously influenced by, among other things, UK property markets, employment levels, inflation, interest rates, and customer confidence. The economy affects demand for the Group’s products, margins that can be earned on lending assets and the levels of loan impairment provisions.

Economic uncertainty continued throughout 2022 due to the COVID-19 pandemic, the war in Ukraine, energy price rises and cost of living increases. The second half of 2022 saw the UK and global economy face significant headwinds despite COVID-19 pandemic risks receding. In November 2022, the UK Monetary Policy Committee estimated inflation would peak at around 11 per cent. in the fourth quarter of 2022, before falling towards 10 per cent. in the first quarter of 2023 and falling further in subsequent quarters as tightened monetary policy and energy price caps begin to take effect. The increased cost-of-living is expected to have slowed gross domestic product (“GDP”) growth in the fourth quarter of 2022 with GDP expected to have contracted by 0.5 per cent. in the third quarter of 2022 followed by a further 0.3 per cent. decrease in the fourth quarter of 2022. Rising inflation and the higher costs of living will stretch consumers’ incomes and affordability during 2023, increasing the risk of customer default. Higher interest rates could also potentially stall the UK’s economic growth and affect its international competitiveness over the coming years, either of which could affect loan impairment provisions recognised on the Group’s loan portfolios. See also “*The Group faces risks associated with interest rate levels and volatility*”.

The UK economy has recorded low levels of growth as it emerges from the COVID-19 pandemic and, as mentioned above, this has been compounded with increased geo-political uncertainty due to the war in Ukraine. These events combined with the potential impact of the UK’s withdrawal from the EU may continue to affect the UK economy and the banking industry, and may have a significant impact on the performance of the Group.

The Group’s business performance is influenced by the economic condition of its customers. With respect to its retail customers, weak economic conditions in the UK could lead to higher levels of unemployment, which have historically resulted in a decrease in new borrowing and reduced or deferred levels of spending, as well as

an increase in arrears, loan impairment provisions and defaults. Worsening economic and market conditions may also lead to lower levels of business investment in the UK, which could result in reduced demand for the Group's products from its business customers, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. Weak economic conditions in the UK could also lead to the Group's business customers being unable to meet their obligations resulting in an increase in arrears, loan impairment provisions and defaults.

In addition to the overall impact on the Group of adverse economic and market conditions, the impact of adverse economic and market conditions on each of the Group's four lending divisions is described in more detail below. Each lending division has different products and customers and as such is impacted in different ways:

#### *Real Estate Finance*

The Group's Real Estate Finance division provides finance to enable property investment and real estate development. Disruption in the UK credit markets or general economic conditions in the UK could have a negative impact on the financial circumstances of borrowers to whom the Real Estate Finance division provides loans, such as through reduced demand for real estate development and investment, lower sales prices, higher interest rates (in particular at the time of refinancing), reduced revenues from sales of real estate developments or increased inability of tenants to pay rents, which may, in each case, require borrowers to defer interest and/or principal payments on loans which may result, in the event of default, in the outstanding loan amount exceeding the value of the collateral provided by the property. Lower valuations for real estate developments may affect the underlying value of security notwithstanding the low average loan to value ratios across the whole Real Estate Finance portfolio, which could increase the Group's loan impairment provisions and losses if customers default. Higher loan impairment provisions could reduce the Group's profitability, capital and ability to engage in lending activities. Adverse economic and market conditions could also reduce potential investors' willingness or ability to complete new property developments thereby reducing demand for the Group's loan products.

#### *Commercial Finance*

The Group's Commercial Finance division provides small and medium sized enterprises ("SMEs") with invoice financing solutions, including invoice discounting and factoring and asset based lending on stock and other assets (such as plant and machinery). Adverse economic and market conditions could negatively impact the businesses of the Commercial Finance division's customers. This impact may affect borrowers' revenue and viability and result in more borrowers breaching loan covenants and entering administration. In the event of a default by a borrower, the Group may enforce its rights under the facility agreement and collect the borrower's receivables directly from the borrower's debtors. Where a borrower's debtors have also been negatively impacted by adverse economic and market conditions, they may also default on their payment obligations, and the Group may not be able to realise the full value of the invoices over which it has security, which could lead to an increase in loan impairment provisions.

#### *Vehicle Finance*

The Group's Vehicle Finance division provides finance through motor dealerships, traditional motor finance brokers and internet brokers and involves fixed rate, fixed term hire purchase arrangements (including personal contract purchase arrangements) and vehicle stock funding, predominantly on used cars. Adverse economic conditions could result in a fall in the value of used cars reducing the value of security available should a vehicle finance customer default on a loan, which in turn, could result in an increase in the Group's loan impairment provisions relating to that product.

#### *Retail Finance*

The Group's Retail Finance division comprises lending products, typically offering interest free credit, for in-store and online retailers to enable consumer purchases. Adverse economic conditions could negatively impact

the financial circumstances of borrowers to whom the Retail Finance division provides loans, such as through increased unemployment or reduced affordability as disposable income becomes diminished, which may in each case affect borrowers' ability to repay their loans, increasing the likelihood that they could default, which could in turn lead to an increase in non-payment, arrears and forbearance as well as an increase in the Group's loan impairment provisions.

Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group faces risks associated with interest rate levels and volatility**

Base rates of interest, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect the Group's results, profitability and consequential return on capital in three principal areas: (i) cost and availability of funding, (ii) margins and revenues and (iii) loan impairment provision levels.

In recent years, the UK experienced historically low, sustained interest rates. Most of the Group's deposit accounts consist of fixed term, fixed rate and variable rate notice accounts, including tax-efficient Individual Savings Accounts ("ISAs"). Low interest rates reduce incentives for consumers to save and, therefore, may have or could reduce the Group's customer deposits, its principal source of funding. However, given the recent and continuing increases in interest rates consumer behaviour may change with savings markets becoming more competitive on price and customers being more selective as to the term on which funds are placed on deposit. Higher levels of inflation, coupled with an increase in the base rate of interest, is intended to increase the incentive for customers to save and reduce spending. However, high levels of inflation, particularly inflation significantly in excess of savings rates, may reduce customer incentives to save.

Notwithstanding that the majority of the Group's deposits are fixed rate, in the event of sudden large or frequent increases in interest rates, the Group may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which, in turn, can negatively affect its net interest income.

Changes in interest rates also impact the Group's loan impairment provision levels and customer affordability. The rise in interest rates, without sufficient improvement in customer earnings or employment levels, could, for example, lead customers with borrowings from lenders other than the Issuer to prioritise those payments over repayments on the Group's vehicle finance and retail finance products, which in turn could lead to increased loan impairment provisions and lower profitability for the Group. The rise in interest rates, without sufficient improvement in customer earnings or employment levels, could also, for example, lead to an increase in default rates among customers who can no longer afford their repayments, which could in turn lead to increased loan impairment provisions and lower profitability for the Group. A higher interest rate environment also reduces demand for loan products generally, as individuals are less likely or less able to afford the cost of borrowing when interest rates are high, thereby reducing the Group's new business sales, retention of customers and revenues.

Historically the Group's loan book has been largely matched to the tenor of its fixed term deposits with residual funding mismatch gaps managed through hedging activities. The ability of the Group to manage successfully such maturity profiles is more difficult in a volatile interest rate environment and may lead to inefficiencies in the Group's funding plans, giving rise to additional funding costs.

The inability of the Group to manage its exposure to interest rate volatility, whether through hedging, product pricing and maintenance of borrower credit quality or other means, could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **Risks relating to the impacts of inflation**

There have been growing inflationary pressures on the UK economy in 2022 and this is forecast to stretch into 2023, with economists predicting higher base rates as markets price in base rate increases over the course of 2022 and 2023. The outlook remains far from clear and is further complicated by the tail impacts of the COVID-19 pandemic. In response to increasing inflation rates in 2021, the Group recognised a £4.6 million provision in the consolidated financial statements in the 2021 Annual Report, which increased to £5.3 million in the 2022 Interim Report, to reflect the expected increase in delayed repayments and defaults if customers were unable to pay all their bills and loan commitments on a timely basis whilst also remaining employed.

### **Recent legislative and regulatory changes and future legislative and regulatory changes are imposing or could impose operational restrictions on the Group, require the Group to raise further capital, increase the Group's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects**

As a financial services firm, the Group is subject to extensive and comprehensive regulation by governmental and regulatory bodies in the UK. The Group conducts its business subject to ongoing regulation by the FCA and the Prudential Regulation Authority ("PRA"). The Group must comply with the regulatory regime across many aspects of its activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fails to comply with any relevant regulations, there is a risk of a material adverse effect on its business due to sanctions, fines, customer redress or other actions imposed by the regulatory authorities.

There is an increased focus by regulators on the appropriateness and sustainability of business models of regulated firms, with the regulators having the power to restrict a firm's ability to develop existing products, enter into new product areas or make acquisitions. The regulators no longer focus exclusively on the financial strength of a regulated firm, but also consider non-financial resources available to the firm in assessing whether a firm continues to meet the threshold conditions. If the regulators were to believe that the Group does not meet threshold conditions, they could remove or restrict the Group's permissions or require a restructuring of its business.

Regulators and other policy making bodies in the UK and worldwide have produced and, in many cases, adopted a range of legislative and regulatory proposals and changes which have and could impose operational restrictions on the Group, cause the Group to raise further capital, increase the Group's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects. Future changes in regulation, and/or fiscal or other policies, are unpredictable and beyond the Group's control and could have a material effect on its business or operations. In particular:

- through the Financial Services (Banking Reform) Act 2013, the FCA and PRA have implemented senior management conduct rules, through the Senior Managers and Certification Regime, which aims to increase the accountability of senior managers and promote greater transparency and minimum standards of good practice in the financial services industry. It also provides for a criminal offence of reckless misconduct for senior managers of causing certain financial institutions to fail, which involves personal criminal liability for those making reckless management decisions. In summary, it applies where a senior manager takes a decision, or fails to take steps to prevent a decision, by or on behalf of a bank, the implementation of which causes the bank's failure (or the failure of another bank in its group). Senior managers are subject to pre-approval by the relevant regulator and others who can cause significant harm to the firm or its customers are subject to an ongoing certification regime, under which firms must assess and certify they are fit and proper to perform their role; and
- the Group's borrowing costs and capital requirements could be affected by prudential regulatory developments. The Group is subject to capital adequacy and liquidity requirements adopted by the PRA

and implementing European or global standards. The prudential regime that applies to UK banks largely derives from EU legislation. It is set out under Regulation (EU) No 575/2013 as it forms part of retained EU law (as defined in the EUWA) (“**UK CRR**”), UK law and regulatory rules implementing Directive 2019/878/EU (“**UK CRD V**”) and other relevant UK domestic law and regulation. UK CRD V now forms part of retained or onshored EU law in the UK. Equally, those provisions of Regulation (EU) No. 2019/876 (“**CRR II**”) and Directive (EU) No. 2019/879 (“**BRRD II**”) which applied before the end of the transition period also form part of retained EU law, with some exceptions. This framework implements in the UK standards set at an international level by the Basel Committee on Banking Supervision, including under the Basel III framework. As part of the UK’s implementation of the Basel III standards, portions of the UK CRR were revoked, and the relevant requirements transcribed into the PRA Rulebook.

Consequently, the Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. Effective management of the Group’s capital is critical to its ability to operate its business and to pursue its strategy. The Board set the internal target amount of capital for the Group by taking account of their own assessment of the risk profile of the business, market expectations and regulatory requirements. If regulatory requirements as to capital levels increase, driven by, for example, new regulatory measures or views that the PRA may have as to the amount of capital the Group should retain, the Group may be required to increase its capital resources. The Group may also need to increase its capital resources in response to changing market conditions or expectations. If the Group is unable to increase its capital, it may no longer comply with regulatory requirements or satisfy market expectations related to its capital strength and, as a result, its business, results of operations, financial condition and/or prospects could suffer a material adverse effect.

Amongst other changes, International Financial Reporting Standard (“**IFRS**”) 9 replaced the incurred loss approach to impairment of IAS 39 with one based on expected credit losses (“**ECL**”), which resulted in earlier recognition of credit losses. This introduced a number of new concepts and changes to the approach to provisioning compared with the methodology under IAS 39.

The EU authorities recognised the risk that application of IFRS 9 may lead to a sudden significant increase in ECL provisions and consequently a sudden decrease in the capital ratios of institutions.

Accordingly, Regulation (EU) 2017/2395 (the “**IFRS 9 Regulation**”) was passed in order to introduce transitional periods for mitigating the impact of the introduction of IFRS 9 on own funds applying from 1 January 2018. In addition, in response to the Covid-19 pandemic, on 28 April 2020 the European Commission announced a proposed banking package of reforms which includes (amongst other things) phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Group is required to adopt for the valuation of financial instruments. The EU authorities decided to fast-track the IFRS 9 Regulation ahead of the general amendments to the Directive 2013/36/EU (“**CRD IV**”) framework to ensure that the phase-in arrangements to mitigate the impact of IFRS 9 became effective at the same time as the entry into force of the IFRS 9 standard on 1 January 2018. During a transition period of five years, firms may decide at their discretion whether to apply those phase-in arrangements, if they inform the local competent authority. The Group previously notified the PRA that, from 1 January 2018 onwards, the IFRS 9 transitional arrangements will be adopted. Accordingly, the Group’s loan impairment provisions are now estimated using a suite of models that use historical and forward looking data, with associated judgements and assumptions, to derive the probability of default, loss given default and exposure at

default. Material elements of the Group's financial statements will therefore increasingly be impacted by these models. Please see Note 41 to the consolidated financial statements in the 2021 Annual Report and Note 21 to the interim financial statements for the period ended 30 June 2022 for further details.

- The Bank Recovery and Resolution Directive (“**BRRD**”) provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies. The BRRD was implemented in the UK through a mixture of legislative provisions (including by way of amendments to the Banking Act 2009 (as amended, the “**Banking Act**”), new rules in the FCA Handbook and the PRA Rulebook, and amendments to His Majesty's Treasury's (“**HM Treasury**”) Special Resolution Regime Code of Practice.

Under the Banking Act, substantial powers are conferred on the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and (where applicable) HM Treasury, as appropriate as part of a Special Resolution Regime. These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or investment firm and certain of its affiliates that meet the definition of a “banking group company” (each a “**relevant entity**”) in circumstances in which the relevant UK resolution authority is satisfied that resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the threshold conditions defined in section 55B of the FSMA. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of any Notes.

UK banks are required to meet their minimum requirement for own funds and eligible liabilities (“**MREL**”) requirements at all times. In June 2018, the Bank of England published a statement of policy (updated with effect from 1 January 2022) regarding its approach to setting MREL requirements. There is no common level of MREL applicable to all or a category of institutions; it is an institution-specific requirement. The Bank of England sets MREL annually for all UK banks and MREL must be set on both an individual bank and group consolidated basis. The Group's current MREL requirement is set at minimum regulatory capital requirements (i.e., Pillar 1 and Pillar 2A requirements), although the Group may in future be subject to MREL requirements in excess of minimum regulatory capital requirements (which could ultimately be set at two times the sum of the Pillar 1 and Pillar 2A requirement). It is expected that the Bank of England would give the Group a transitional period of six years to meet any increased MREL requirement.

The Group's MREL requirements would depend on a number of factors, including (but not limited to) changes to the Issuer's balance sheet and any change in PRA or international policy that alters the ways risk-weighted assets or the exposure measure of the leverage ratio (should it become applicable to the Group) are assessed. Consequently, the MREL regime applicable to the Group, including the quantum and timing of future MREL requirements for the Group, are unknown and their impact uncertain. Compliance with MREL may delay, limit or restrict the execution of the Group's strategy and may have a material adverse effect on the Group's business, capital structure, financial condition, results of operations and/or prospects, and may increase compliance costs;

On 29 April 2021, the UK's Financial Services Act 2021 (the “**FSA 2021**”) received Royal Assent. A key element of the FSA 2021 is the UK implementation of the outstanding Basel III standards. The FSA 2021 provides for the implementation of those aspects of the Basel III standards (which were finalised between 2010 and 2017) that were introduced into the EU as part of its banking reform package but that did not apply across the EU until after the end of the Brexit transition period, and consequently were not implemented in the UK. It also provides for the implementation of the final Basel III standards agreed between 2017 and 2019 (for example, in relation to the calculation of risk-weighted assets) that have not yet been implemented by either the EU or the UK.

- In July 2021 and October 2021, the PRA published two policy statements, with the October 2021 statement setting out the PRA’s final rules which were set out in near final form in the July 2021 Statement in relation to its planned implementation of certain Basel III standards, including the net stable funding ratio, the new counterparty credit risk standard and rules on large exposures. As part of this policy statement, the PRA also maintained its approach of requiring the deduction of software assets from capital. The policy statement, and implementation of the relevant Basel III standards, came into effect on 1 January 2022. On 30 November 2022, the PRA published Consultation Paper CP16/22 – ‘Implementation of the Basel 3.1 standards’, setting out its proposed rules and expectations that cover the parts of the Basel III standards that remain to be implemented in the UK, including its proposal that any changes will be phased in from 1 January 2025. In addition, the proposals would revise certain areas of the Basel III standards already implemented in the UK. With an anticipated five-year phase-in period, these new standards would become fully effective by 2030. The outcome of this consultation (which is open for comment by 31 March 2023) and the implementation of the proposals, or other changes introduced to the prudential framework that applies to UK banks, may, either individually or in aggregate, result in changes or enhancements to prudential requirements in relation to the capital, leverage, liquidity and funding ratios and requirements of the Group or of operating companies in the Group (in particular, the proposals include significant changes to the way firms (such as the Issuer) calculate risk-weighted assets for the purposes of calculating risk-based capital ratios). Furthermore, certain of the prudential requirements that apply to the Group take into account, among other factors, macroeconomic indicators and may increase if such macroeconomic indicators change, for example, risk-weighted asset inflation and countercyclical capital buffers.
- On 29 April 2022, the PRA published Consultation Paper CP5/22 – ‘The Strong and Simple Framework: a definition of a Simpler-regime Firm’. Through a strong and simple prudential framework for non-systemic banks and building societies, the PRA is seeking to mitigate the ‘complexity problem’ that can arise when the same prudential requirements are applied to all firms. The PRA aims to achieve this through its ‘strong and simple’ initiative that would seek to simplify the prudential framework for eligible non-systemic domestic banks and building societies, while maintaining their resilience. Since this would be a major change in prudential policy applying to banks and building societies in the UK, taking a number of years to develop and implement, the PRA is starting to achieve its aim by developing a ‘simpler regime’ for the smallest firms. This approach aims to ensure the benefits of simplification are experienced by the largest number of small firms as soon as possible. In CP5/22, the PRA sets out its proposals for introducing a definition of a ‘Simpler-regime Firm’. The PRA’s implementation of this proposed definition would be the first step in designing a strong and simple framework.

CP16/22 also includes proposed revised criteria for determining the scope of firms that would fit in the ‘strong and simple’ framework. Firms (such as potentially the Issuer) meeting the simpler-regime criteria would not have to apply the Basel 3.1 standards for the calculation of capital ratios. Instead, such firms can choose to enter into a transitional interim regime, the ‘Transitional Capital Regime’, which is substantively the same as the existing regime under UK CRR. If firms make this choice, the interim regime would apply while the PRA is developing the intended permanent capital framework for the simpler regime.

- The Financial Policy Committee (“**FPC**”) increased the UK Countercyclical Buffer (“**CCyB**”) rate from 0 per cent. to 1 per cent. on 13 December 2022, after having been reduced to 0 per cent. in March 2020 because of the COVID-19 pandemic. Alongside this, the PRA announced the removal of temporary firm specific PRA buffers to take effect at the same time. Furthermore, in July 2022 the FPC announced a further increase to the CCyB to 2 per cent. to take effect in July 2023. The FPC stated that they would



continue to monitor the CCyB rate due to the current uncertainty around the economic outlook. The increases in the CCyB require the Group to hold increased levels of minimum regulatory capital.

- The PRA issued Supervisory Statement SS4/21 in May 2021, setting out its expectations for firms to ensure the operational continuity of critical services to facilitate recovery actions, resolution, and related restructuring. It supersedes SS9/16 ‘Ensuring operational continuity in resolution’. SS4/21 is effective from 1 January 2023 and is relevant to UK banks to which the operational continuity part of the PRA Rulebook applies, and may apply to the Group in the future as it continues to grow in scale. Regulatory requirements with respect to Operational Continuity in Resolution are linked to total assets and/or sight deposits held. As the Group grows in scale it must ensure that it has operational arrangements for continuity of critical services in the event of execution of its recovery plan or through resolution in the event of full business failure.
- Responsibility for consumer credit transferred from the Office of Fair Trading (“OFT”) to the FCA on 1 April 2014. The framework for consumer credit regulation comprises the FSMA and its secondary legislation, retained provisions of the Consumer Credit Act 1974 and its related secondary legislation (the “CCA”) and its retained secondary legislation, and rules and guidance in the FCA Handbook, in particular in the Consumer Credit sourcebook (the “CONC”).

The CCA and CONC set out, among other things, general conduct standards, rules on financial promotions, the form and content of regulated credit agreements, further rules on pre- and post-contractual requirements, responsible lending rules and debt advice rules. Under sections 140A-D (inclusive) of the CCA, the court has power to determine that the relationship between a lender and a customer arising out of a credit agreement is unfair to the customer. If the court makes such a determination (and court decisions in recent years have generally interpreted “unfair relationship” in a way favourable to customers), then it may make an order, among other things, requiring the lender or any assignee to repay any sum paid by the customer. Non-compliance with relevant rules in respect of any regulated credit agreement may render that regulated credit agreement unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded.

During the COVID-19 pandemic in 2020/2021, the FCA issued revised guidance to consumer credit lenders setting out a framework by which temporary relief via payment deferrals for periods up to a total of six months could be provided to customers experiencing financial difficulty due to the effects of the virus. The guidance was regularly updated and came to be referred to as Tailored Support Guidance.

The FCA is also likely to be proactive in pursuing possible regulatory failures and poor practices (for example, by initiating its own investigations where consumer experience suggests that such an investigation is merited). Where consumer detriment is found, the FCA will use its powers of intervention, which may include enforcement action and/or securing redress for consumers.

The FCA has greater powers of enforcement than the OFT, including the power to, among other things: (i) bring criminal, civil and disciplinary proceedings; (ii) withdraw authorisations; (iii) suspend authorised firms for 12 months; (iv) suspend individuals from performing certain roles for two years; and (v) the power to issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans.

Finally, the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2014 (SI 2014/366), which repealed parts of the CCA, required the FCA to review the retained provisions of

the CCA and, in particular, whether repealing the retained provisions would adversely affect the appropriate degree of protection for consumers. The FCA published its final report with recommendations in March 2019. This included proposals to retain certain CCA provisions and replace others with FCA rules (for example, certain provisions relating to information requirements). On 9 December 2022 as part of the “Edinburgh Reforms” of financial services (as discussed in further detail below) HM Treasury launched a consultation about modernising the regulation of consumer lending. The main provisions of the Consumer Rights Act (the “**CRA**”) came into force on 1 October 2015. Among other things, it deals with unfair contract terms and consumer notices. The main effect of this legislation is to consolidate and reform the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarify the remedies that consumers have.

The CRA significantly reforms and consolidates consumer law in the UK and re-implements the Unfair Contract Terms Directive into UK law. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the Unfair Terms in Consumer Contracts Regulations 1999 (“**UTCCR**”). When the unfair contract terms regime of the CRA came into force it revoked the UTCCR and introduced a new regime for dealing with unfair contractual terms as follows:

- (i) under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual’s trade, business, craft, or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties’ rights and obligations under the contract to the detriment of the consumer;
- (ii) a term in a consumer contract may not be assessed for fairness to the extent that: (i) it specifies the main subject matter of the contract; or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, to the extent that such term is transparent and prominent; and
- (iii) a trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent (i.e. that it is expressed in plain and intelligible language and is legible). Where a term in a consumer contract is susceptible to multiple different meanings, the meaning most favourable to the consumer will prevail.

The UK Competition and Markets Authority (the “**CMA**”) and the FCA have powers to challenge unfair terms in financial services consumer contracts as the regulators under the CRA. They may seek an undertaking from firms not to use an unfair contract term in its consumer contracts or apply to the court for an injunction from using the unfair term or enforcing the term against customers. In December 2018, the FCA published finalised guidance: “Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015” (FG18/7), outlining factors the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

In view of the COVID-19 pandemic, the CMA published a statement in April 2020, setting out its general views about how the law operates in relation to cancellation and refunds, noting that ultimately the

position will be determined by the courts. In August 2020 the CMA updated this statement to provide that where “lockdown laws” mean the service which can be provided is radically different to what was agreed the consumer would normally be able to cancel and receive a full refund, but if the differences in the service provided are only minor, a consumer should be able to choose between cancelling on the trader’s standard terms (provided these are fair) or going ahead and receiving a proportionate discount. Further, where compliance with COVID-19 restrictions imposed as a matter of government guidance (rather than legislation) would prevent a consumer receiving a service, the consumer would have to cancel on the trader’s standard terms, provided these are fair.

This area of law is rapidly developing and new regulatory guidance and case law as a result of any new legislation can be expected. During a Commons debate in February 2020, the Parliamentary Under-Secretary of State of the Department for Business, Energy & Industrial Strategy (“BEIS”), announced that the BEIS was to publish a consumer and competition Command Paper in Spring 2020 and carry out a five-year review of the CRA later in the year. A consultation on ‘Reforming competition and consumer policy’ was published in July 2021, and closed in October 2021. The outcome of the consultation was published by the BEIS in April 2022, and made recommendations as to the next legislative steps for reform of UK competition policy. The specific legislative changes and the timings for them being made are currently uncertain. In addition, the ‘Reforming competition and consumer policy’ paper seeks views on the CRA, as part of the UK consumer protection legal framework.

A breach of these requirements could mean that the unfair terms in question are not binding or enforceable. This in turn may affect the Group’s ability to recover monies owed under such agreements;

- The FCA has responsibility for conduct of business regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA. The FCA also exercises certain market regulatory functions.

When discharging its general functions, as prescribed under FSMA, the FCA must, so far as is reasonably possible, act in a way which is compatible with its strategic objective of ensuring that relevant markets function well, and which advances one or more of its operational objectives of: (i) securing an appropriate degree of protection for consumers (the consumer protection objective); (ii) promoting effective competition in the interests of consumers in financial markets (the competition objective); and (iii) protecting and enhancing the integrity of the UK financial system (the integrity objective).

So far as is compatible with its consumer protection and integrity objectives, the FCA must discharge its general functions in a way which promotes effective competition in the interests of consumers.

The FCA also has competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are concurrent with those of the CMA. The FCA has a statutory objective to promote effective competition in the interests of consumers, and the PRA has a secondary objective to facilitate effective competition in the markets for services provided by PRA-authorised firms. Recent initiatives from the FCA and the PRA include the introduction of a mobilisation phase for new firms wanting to enter the banking sector, intended to make entrance into the market easier and less costly, and a thematic review into cash savings with accompanying new rules which came into effect on 1 December 2016. Recent initiatives from the FCA include several competition-focused market studies, such as the investment and corporate banking market study, which was launched in May 2015 and concluded in October 2016, and the mortgages market study, where the final report was published on 26 March 2019. The final report proposed certain remedies for the mortgage market, with the FCA proposing new lending rules on how lenders assess whether or not a customer can afford to switch to a new loan in CP 19/14 (March 2019) (which were implemented with immediate effect through PS 19/27 (October 2019)), and consulting on changes to advice rules and guidance that would reduce barriers to

innovation in mortgage distribution in CP 19/17 (May 2019). The FCA responded to CP 19/17 on 1 January 2020, through PS 20/1, and the final rules were brought into effect on 31 January 2020.

The activities of the Group relating to retail customers will become subject to the FCA's rules for the new Consumer Duty, which requires firms to act to deliver good outcomes for retail customers. The Consumer Duty has three key elements: (1) a Consumer Principle, which sets a clear tone and uses language that reflects the overall standards of behaviour the FCA expect from firms; (2) 'Cross-cutting Rules', which develop and clarify the Consumer Principle's overarching expectations of firm conduct and set out how it should apply in practice; and (3) the 'Four outcomes', a suite of rules and guidance that set more detailed expectations for firm conduct in relation to four specific outcomes for the key elements of the firm-customer relationship – Products and Services, Price and Value, Consumer Understanding and Customer Support. The overarching Consumer Principle will be "a firm must act to deliver good outcomes for retail customers". The FCA has been clear that it sees the introduction of this Consumer Duty as a "paradigm shift" in the expectations of firms setting a higher standard than the current Principles for Businesses. The Consumer Duty rules come into force, for new and existing products or services that are open to sale or renewal on 31 July 2023, and for closed products or services on 31 July 2024.

The Group may therefore face increasing regulatory scrutiny and competition impact which may affect the Group's ability to generate revenues and achieve the aims of its strategy. The Group may also face increased compliance costs if regulatory requirements relating to transparency, product disclosure or other conduct matters change;

- Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Bill (the "FSMB") was introduced to Parliament on 20 July 2022 and aims to implement the outcomes of the government's future regulatory framework review and to make changes to update the UK regulatory regime. The FSMB intends to move away from the onshored EU legislation towards the historic approach taken under the FSMA, whereby primary responsibility for regulation is delegated to the UK regulatory authorities, subject to the oversight of Parliament. The FSMB would implement the results of HM Treasury's wholesale markets review response published in March 2022, and provisions in respect of digital settlement assets, direct supervision of critical third-party service providers, changes to the financial promotions regime and insurers in financial difficulties among other things.
- On 9 December 2022, the UK Government released a package of proposed reforms to financial services regulation referred to as the "Edinburgh Reforms". The proposed reforms are wide ranging, featuring thirty separate announcements and including (without limitation) proposed amendments to the ring-fencing and non-performing exposure regimes. HM Treasury has also proposed to use post-Brexit legislative flexibility to modernise UK financial services legislation by relaxing certain EU-derived provisions of prudential regulation. Further details of the reforms and the proposed timing of their implementation are not known, and their impact on the Issuer and the Group are uncertain.

Any change that limits the Group's ability to manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to raise finance through wholesale markets as a result of market conditions or otherwise) could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

In addition, it is possible that regulatory and/or legislative changes could prompt the development of new rules to, among other things, increase competition in the markets, or analogous or competing markets, in which the Group operates. This could result in a material adverse impact or increased operational and compliance costs

to the industry and therefore on the Group. It is impossible to predict the effect that any of the proposed changes will have on the Group's business, financial condition, results of operations and/or prospects or how any of the proposals discussed above will be implemented in light of the fundamental changes to the regulatory environment proposed by the UK Government. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group's operations, structure, costs and/or capital requirements. Accordingly, the Group cannot ensure that the implementation of any of the foregoing matters or any other regulatory or legislative changes that may be proposed will not have a material adverse effect on its business, financial condition, results of operations and/or prospects.

**The Group is required to pay levies under the Financial Services Compensation Scheme and is exposed to future increases of such levies, which might impact its profits**

In the UK, the Financial Services Compensation Scheme (the "FSCS") was established under the FSMA and is the UK's statutory fund of last resort for customers of certain types of authorised financial services firms. The FSCS pays compensation to eligible customers if a relevant PRA or FCA authorised firm is unable, or likely to be unable, to pay claims against it (for instance, if an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the PRA or the FCA.

There is a risk that the FSCS may place additional levies on all FSCS participants as a result of a shortfall arising out of claims. Any such levies may be significant amounts that may, as a result, have a material effect on the Group's profits. In common with other financial institutions which are subject to the FSCS, the Group also has a potential exposure to future levies resulting from the failure of other financial institutions and claims which arise against the FSCS because of such failure. There can be no assurance that there will not be any further claims against the FSCS and subsequent increased FSCS levies payable by the Group. Any such increases in the Group's costs and liabilities related to the levy may have a material adverse effect on its results of operations.

Following the publication of Directive 2014/49/EU, revisions were made to the legislation and regulation relating to the FSCS which, among other things, affected the methodology employed by the FSCS for determining levies on institutions. While the methodology includes maximum amounts and provides for the maximum aggregate levy to only be imposed on firms once in each financial year, there is the ability for the FSCS to impose higher levies and/or impose interim levies at any time. Such imposition could have a material effect on the Group's business, results of operations, financial condition and/or prospects.

The Notes are not 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.

**The Group is exposed to many forms of legal and regulatory risk**

The Group is exposed to many forms of legal and regulatory risk, which may arise in various ways. In particular:

- the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians may continue; the FCA in particular continues to focus on retail conduct risk issues, as well as conduct of business activities through its supervision activity;
- certain aspects of the Group's business may be determined by the PRA, the FCA, the CMA, HM Treasury, the Financial Ombudsman Service (the "FOS"), the Advertising Standards Authority and/or the courts as not being conducted in accordance with applicable laws, regulations or codes, in the case of the FOS, with what is fair and reasonable in the FOS's opinion, or, in the case of the Advertising Standards Authority, advertising which is unclear or misleading;
- the Group may breach (or face allegations of having breached) legal and/or regulatory requirements in respect of business originated by it or which it has acquired. These requirements include, but are not

limited to, conduct requirements, data protection and privacy, anti-money laundering, sanctions and anti-terrorism financing requirements;

- the Data Protection Act 2018 (the “**DPA**”) supplements Regulation (EU) 2016/679 as it forms part of the domestic law of the UK by virtue of the EUWA (“**UK GDPR**”) and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the EU Data Protection Directive (Directive (EU) 2016/680) into UK law. Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the UK GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA. UK GDPR sets a maximum fine of the greater of £17.5 million or 4 per cent. of annual global turnover, for infringements. The Group is subject to this regulation regarding the use of personal data and therefore must comply with strict data protection and privacy laws, including the UK GDPR and the DPA. Such laws restrict the Group’s ability to collect and use personal information relating to customers and potential customers, including the use of that information for marketing purposes. The Group processes large amounts of personal customer data (including name, address and bank details) as part of its business. Therefore, the Group is exposed to the risk of a data breach in which such personal data is wrongfully appropriated, lost or improperly disclosed, stolen or processed in breach of data protection regulations. If the Group or any of the third-party service providers on which it relies fails to store or transmit customer information in a secure manner, in compliance with data protection laws, or if any loss of personal customer data were otherwise to occur, the Group would be at risk of significant regulatory liability and a potential fine of up to £17.5 million or 4 per cent. of the Group’s annual global turnover (whichever is greater);
- any alleged mis-selling of financial products, including as a result of having sales practices and/or reward/commission structures in place that are determined to have been inappropriate, unfair, in breach of regulatory requirements or not, or not adequately, disclosed to customers, may result in operational expense, disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products and/or undertake remediation or provide restitution to affected customers, all or any of which could result in the incurrence of significant costs, may require provisions to be recognised in the Group’s financial statements and may materially adversely affect future revenues from affected products;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the Group and its officers may face claims or enforcement actions relating to statements relating to sustainability characteristics, at an entity, Group or product level, including as to environmental, social and/or governance (“**ESG**”) matters. Such claims or enforcement actions could arise through an alleged failure by the Group to disclose ESG matters adequately, including, without limitation, the disclosure of untrue, misleading or over-stated/optimistic information and/or the disclosure of information which contains a material omission. Such claims or enforcement actions could also arise through delayed disclosure of ESG matters;
- intellectual property may not be protected as intended or the Group may use intellectual property which infringes, or is alleged to infringe, the rights of third parties; and
- the Group may be liable for damages to third parties harmed by the way it has conducted one or more aspects of its business.

Failure to manage any or all of these risks adequately could lead to significant liabilities or reputational damage and have a material adverse effect on the Group's relations with its customers. In addition, the Group may be subject to other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the Group's business. Each of these issues could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy.

The Group also faces both financial and reputational risk where legal or regulatory proceedings are brought against it or members of its industry generally in the UK High Court or elsewhere, or where complaints are made against it or members of its industry generally to the FOS or another relevant body.

There is currently a significant regulatory focus on the fairness of contract terms, sales practices and reward structures that financial institutions have used when selling financial products. Financial institutions (including the Group) may incur liability for past actions which are determined to have been inappropriate and any such liability incurred could be significant and have a material adverse effect on the Group's reputation, business, financial condition, results of operations and/or prospects.

### **The Group must comply with anti-money laundering, anti-bribery and sanctions regulations**

The Group is subject to laws regarding anti-money laundering and the financing of terrorism, as well as laws that prohibit the Group, its staff or intermediaries from making improper payments or offers of payment for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery laws creates a significant financial and operational burden for banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more aggressive, resulting in several landmark fines against UK financial institutions. Economic crime is a key focus for regulators and particularly so since the recent passing of the Economic Crime (Transparency and Enforcement) Act 2022 and the passage of the Economic Crime and Corporate Transparency Bill through Parliament. While the Group monitors its regulatory environment, it is not always possible to predict the nature, scope or effect of future regulatory requirements to which it might be subject, and in particular, the manner in which existing laws might be administered, interpreted or enforced. Although the Group believes that its current policies, processes and procedures are adequate and effective, and therefore, comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that these policies eliminate the risk of money laundering, sanctions breaches or bribery, including actions by the Group's staff, for which the Group might be held responsible. Any of these events may have severe consequences, including criminal sanctions, fines, restrictions on its business operations and reputational damage, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group's significant loan book growth in its lending areas increases the difficulty it faces in predicting trends affecting its loan book**

The Group's Business Finance and Consumer Finance divisions have grown in relatively benign wider economic conditions in a low interest rate environment. Through steady and controlled growth in originations, the size of the loan books in these divisions has increased significantly in recent years. Performance on these books has been impacted more recently by the level of UK Government support made available through the COVID-19 pandemic, with performance not necessarily corresponding to the wider economic environment, notwithstanding the low levels of loan losses incurred to date, making estimating impairment provisions more difficult. While the Group conducts stress tests on its loan products, neither the ability of borrowers to continue to meet their payment obligations, nor the overall demand by borrowers for the Group's lending products, has been tested in a full post COVID-19 pandemic economic cycle or in a higher interest rate environment. In

addition, the performance and loan losses of any new loan products that the Group introduces in the future will be similarly difficult to predict.

Any materially inaccurate estimates of loan losses could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group's business is subject to risks relating to the cost and availability of liquidity and funding**

The Group's funding risk appetite is designed to ensure that the Group has access to stable funding markets and is not reliant on any single source of funding. The Group is mainly funded by capital and customer deposits.

The availability of retail deposits may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. The Group's ability to access retail funding sources on satisfactory economic terms is also subject to a variety of factors, some of which are outside its control, including general economic conditions (including interest rates and market volatility, liquidity constraints, general market conditions, increased competition, regulatory requirements and a loss of confidence in the UK banking system). In addition, as the Group does not offer current accounts, which typically are a low-cost source of funding, it may have more exposure to changes in the competitive environment or macro-economic factors that alter the supply of deposits. A loss in customer confidence in the Group could also significantly increase deposit withdrawals or make it more difficult to raise new funds from depositors on satisfactory terms. See also "*The Group is subject to risks arising from the macroeconomic environment*".

The Group has access to the Bank of England's Sterling Monetary Framework but there is no assurance that this will always be available to the Group. The Group also has borrowings under Bank of England funding schemes, but access to these schemes requires the continued acceptance by the Bank of England of the Group's collateral which cannot be guaranteed. Use of these schemes may also result in concentration of refinancing risk alongside other banks that may need to refinance at the same time. The Group's current drawings under the Bank of England's TFSME will mature from March 2025. The Bank of England has not announced an extension of this scheme on its maturity, and therefore the Group may become exposed to risk in refinancing its drawings under the TFSME through other wholesale and retail funding sources.

While the Group currently does not rely on wholesale funding, if access to deposit funding were constrained, the Group may need to make use of the wholesale funding markets (including through securitisation). If the wholesale funding markets were to be fully or partially closed, it is likely that funding would prove more difficult to obtain on commercially attractive terms.

Liquidity constraints may impair the Group's ability to meet regulatory liquidity requirements or financial and lending commitments. Failure to manage these or any other risks relating to the cost and availability of liquidity and funding may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group faces risks from competition**

The market for financial services in the UK is competitive, and competition may intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which the Group operates are mature, and growth by any bank typically requires obtaining market share from competitors.

The Group faces competition from longer established providers of financial services, including banks and building societies, some of which have substantially greater scale and financial resources, broader product offerings and more extensive distribution networks than the Group. In addition, while the Group utilises the "standardised" approach for assessing credit risk, which can overestimate credit risk of lending portfolios, leading to higher risk-weighted assets, certain competitors may utilise the internal ratings-based approach,



which allows them to hold less capital against their lending than the “standardised” approach, thus enabling reduced prices to be offered to customers.

Due to their scale, many of the Group’s longer established competitors are often better positioned to offer cash incentives to attract new customers, as well as higher temporary “teaser” interest rates for deposits or lower temporary rates for loans to attract new customers. Furthermore, as longer established banks manage their legacy conduct issues and more effectively administer their loan books, they may look to re-enter or expand into markets in which the Group operates, thereby increasing competition for the Group within those markets. In particular, the Group faces extensive competition from both longer established banks and specialist finance providers in its chosen segments. Increased competition within the markets in which the Group operates could result in a loss of customers for the Group and increased pressure on the Group’s pricing which may lead to narrower margins. The inability of the Group to retain market share, particularly in its chosen segments, could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

The Group also faces potential competition from new banks in the UK, such as Atom Bank and Zopa Bank, from banking businesses developed by large non-financial companies, such as Tesco and Virgin Money, from “challenger banks”, such as Starling Bank, Monzo, OSB Group, Metro Bank, Aldermore and Shawbrook, and from new entrants into the UK banking sector, such as peer-to-peer lending platforms.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation (for example by new “Fintech” entrants) or a failure by the Group to introduce new products and services to keep pace with industry developments and meet customer expectations. The Group is also subject to the risk of not appropriately responding to innovation in financial technologies and the industry-wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. The Group’s financial and operational performance may be materially adversely affected by an inability to keep pace with industry trends and customer expectations.

The occurrence of any of the above situations and/or any failure to manage the competitive dynamics to which the Group is exposed could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

### **The Group is reliant on third party service providers**

The Group depends on third-party service providers for a variety of functions whose failure to perform could have a material effect on the Group’s business, financial condition, results of operations and/or prospects.

The Group relies on the continued availability and reliability of these service providers. If the Group’s contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standard, the Group may need to identify and implement alternative arrangements. Although the Group would likely be able to find an alternative third-party provider or supplier for the services on equivalent terms, it may not be able to do so on a timely basis and in doing so may incur additional costs which could cause a disruption in the Group’s operations and could have a material financial or reputational impact on the Group. In addition, the Group relies on certain institutions to provide important payment clearing services, and these institutions could impose significant fees or restrictions on the Group to access these systems or the quality of the service provided by them could be unsatisfactory leading to reputational damage for the Group.

The Group’s reliance on third-party providers exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. The Group is also exposed to the risk that its relationships with one or more third-party service providers may deteriorate for a variety of reasons, including competitive factors. Reputational damage to the Group’s brands caused by the failure of a third-party supplier may also adversely impact the Group’s ability to attract and retain customers or employees in the short and long-term and the ability

to pursue new business opportunities. This also represents an area of increasing regulatory focus and standards, as set out in PRA Supervisory Statement 2/21 - ‘Outsourcing and Third-Party Risk Management’, which details expectations in terms of risk assessment, governance and record keeping. For further detail on potential future regulatory changes, please see “*Recent legislative and regulatory changes and future legislative and regulatory changes are imposing or could impose operational restrictions on the Group, require the Group to raise further capital, increase the Group’s expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects*” above.

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

The Group relies on its networks of intermediaries that are regulated by the FCA. In particular, the Group’s Vehicle Finance division relies on its network of specialist motor intermediaries to distribute its products to consumers, including motor dealers, traditional motor finance brokers and internet introducers and the Group’s Retail Finance division relies on its network of retailers to distribute its products to consumers.

The Group has limited direct oversight of intermediaries’ interactions with prospective customers, outside of the Group’s regulatory responsibilities and if intermediaries violate applicable regulations or standards when selling the Group’s products, this could have a material adverse effect on the Group’s reputation. In addition, the Group may fail to develop products that are attractive to intermediaries or otherwise not succeed in developing relationships with intermediaries. Furthermore, the Group could lose the services of intermediaries with which it does business, for example, through market conditions causing their closure or intermediaries switching to the Group’s competitors due to higher commissions or other incentives. The loss or deterioration of the Group’s relationships with its intermediaries could have a material adverse effect on the Group’s business, financial condition, results of operations and/or prospects.

#### **The Group could be subject to reputational harm that could damage its brands**

The Group’s brands, such as Secure Trust Bank, Moneyway and V12 Retail Finance, and its wholly-owned subsidiaries, V12 Retail Finance Limited (“**V12**”) and Debt Managers (Services) Limited (“**DMS**”) (for further detail regarding DMS, please see “*Description of Issuer – Business and Activities*” below), could suffer reputational damage, which could arise by failing to address, or appearing to fail to address, a variety of issues, such as:

- poor customer service;
- technology failures;
- breaches of data security;
- breaching, or facing allegations of having breached, legal and regulatory requirements;
- committing, or facing allegations of having committed, or being associated with those who have or are accused of committing, unethical practices, including regarding sales and trading practices;
- the failure of intermediaries and other third parties on whom the Group relies, such as clearing banks, third-party service providers or partners, to provide necessary services;
- poor business performance; and
- failing to meet, or facing allegations of failing to meet, legal and social expectations of ESG matters, human rights and/or modern slavery.

An inability to manage risks relating to its brands for any reason could have a material adverse effect on the Group’s business, financial condition, results of operations and/or prospects.

### **The Group is subject to risks concerning customer and counterparty credit quality**

The Group has exposures to counterparties and obligors whose credit quality can have a significant adverse impact on the Group's earnings and the value of assets on the Group's balance sheet. As part of the ordinary course of its operations, the Group estimates and makes impairment provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires specialist judgements, including forecasts of how changing macroeconomic conditions might impair the ability of customers to repay their loans. The Group may fail to identify adequately the relevant factors or estimate accurately the impact and/or magnitude of identified factors. In addition, certain macroeconomic events, such as the COVID-19 pandemic, the war in Ukraine and the resulting high inflation environment, can be difficult to assess accurately and the impact of, and any forecast in relation to such events, may evolve quickly relative to the reporting cycles of the Group.

Furthermore, there is a risk that, despite the Group's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due because of customer-specific circumstances, macroeconomic disruptions or other external factors. The failure of customers to meet their commitments as they fall due may result in higher loan impairment provisions or a negative impact on fair value in the Group's lending portfolio. Deterioration in customer credit quality and a resulting increase in loan impairment provisions could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group is subject to risks concerning security and collateral**

The Group undertakes lending in its Business Finance and Vehicle Finance divisions which is secured against underlying assets. Adverse economic and market conditions could negatively affect the value of the underlying assets provided as collateral for loans granted by the Group or the residual value of the vehicle financed by the Group under a personal contract purchase ("PCP") product. This means the Group may not be able to recover the estimated value of the security taken upon possession or realise sufficient value at the end of a PCP contract. Any such reduction may result in increased loan impairment provisions for the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is also exposed to the risk of losses arising from errors in valuation and recoverability of the security taken. This risk may arise due to the Group's inability to take legal ownership of an asset under the terms of the relevant agreement, being unable to locate the asset and take physical possession and/or assets being of different description or condition than that expected. This risk is enhanced for real estate development finance where the underlying development is incomplete or only partially completed. The materialisation of any or all of these risks could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **The Group is exposed to concentration risk**

The Group's operations are based entirely in the UK and its revenue is derived almost entirely from customers operating in the UK, in particular England and, to a lesser extent, Scotland, Wales and Northern Ireland. In the event of a disruption to the UK credit markets or general economic conditions in the UK or macroeconomic conditions generally (including increased interest rates and/or unemployment in regions where the Group has a significant presence), this concentration risk could cause the Group to experience reduced business activity and, as a result, could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group also faces an element of concentration risk due to a significant proportion of its Real Estate Finance division loan book being secured against UK property only. Falling property prices in the UK (particularly Central England, Greater London and South East England) may lead to increased loan impairment provisions

for the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

#### **The Group is exposed to model risk**

On 21 June 2022 the PRA published CP6/22 - 'Model risk management principles for banks', setting out its proposed expectations about banks' management of model risk. The consultation closed in October 2022 and its outcome is awaited. The Group relies on a large number of models throughout its business, including financial models and analytical tools, such as its risk models. These models are used for many purposes, including, without limitation, for assessing credit at the point of customer application through its scorecards, IFRS 9 expected credit loss accounting, financial modelling and treasury risk management. There is a risk of undetected or undetectable latent weaknesses or failures in the design, update, maintenance or use of any such platforms (including as a result of events unforeseen during the design of the platform and risk models) that have not yet become apparent. There is also a risk that the underlying assumptions or data sources prove to be inaccurate, out-of-date or fail to take account of certain variables of the risk profile of certain customers. There are also risks associated with inadequate governance of models, failures in the development, implementation and use of models, and inadequate independent validation of models.

The materialisation of any or all of these risks could result in an inadequate application of the Group's credit risk appetite and misstatement of its loan impairment provisions which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

#### **The Group is exposed to operational risks in the event of a failure of its information technology ("IT") systems, and the Group relies on third parties for significant elements of its IT and other middle and back office processes**

The Group's strategy is to grow by taking advantage of its digital capabilities to build scale and exploit capability. The Group's business depends on processing a high volume of transactions across numerous and diverse products and services accurately and efficiently. The Group also depends on technology to maintain its reputation for quickly and seamlessly processing customer requests, including account openings, payments and transfers. As a result, any weakness in the Group's IT systems, banking platforms, or operational processes could have an adverse effect on its ability to operate its business and meet customer needs.

While the Group has disaster recovery and business continuity contingency plans in place, an incident resulting in interruptions, delays, the loss or corruption of data or the cessation of systems can still occur. The Group also periodically upgrades its existing systems, and problems implementing these upgrades may lead to delays or loss of service to the Group's customers, as well as an interruption to its business, which could expose the Group to potential liability.

The Group outsources significant elements of its IT and network functions and some of its middle and back office processes, such as telephony infrastructure and data centre infrastructure, to third parties. The Group also relies on certain third-party service providers for hosted service software and Microsoft for a variety of operational software. In addition, the Group relies on NatWest and Barclays Bank PLC as its clearing banks. If one or more of these third parties were unable to deliver their services to the Group in a timely manner and in accordance with required specifications, the Group's ability to meet its customer service levels could be compromised.

The Group's systems are also vulnerable to damage or interruption from other factors beyond its control, such as floods, fires, power loss, telecommunications failures and other similar events.

The Group expects to continue to introduce new IT systems and upgrades as its business grows, and there can be no guarantee it can implement these changes efficiently or cost effectively, or that its current IT systems will have sufficient scalability to support the Group's planned growth. Any actual or perceived inadequacies,

weaknesses or failures in the Group's IT systems or processes could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

#### **The Group is exposed to risks associated with operational resilience**

The Group is exposed to risks associated with operational resilience. A failure by the Group to maintain and test business continuity plans, maintain systems, meet appropriate data standards, appropriately manage vendor services, meet related regulatory requirements, manage change projects or meet standards for people management could have a material adverse effect on its business, financial condition, results of operations and/or prospects. Further, a failure by the Group to identify business services that, if disrupted, could cause harm to consumers or market integrity and/or identify and document the people, processes, technology and facilities that support such business services could create legal exposure, as well as damage to the Group's reputation and may result in a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

#### **The Group is exposed to the risk of failing to manage change and transformation programmes effectively within the business**

The Group is exposed to risks relating to changes that take place throughout the business, including, without limitation, technology, people and process. A failure to ensure successful delivery of projects, programmes and portfolios of change varying from transformational overhauls to business as usual ("BAU") adjustments and improvements could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

#### **The Group is exposed to risks in relation to data management**

The Group is exposed to risks relating to data management, including, without limitation, acquiring, storing, transforming, and using data. A failure by the Group to (i) ensure data is high quality throughout its lifecycle, (ii) ensure it has adequate procedures in place for acquiring, validating, storing, protecting and/or processing data and/or (iii) protect data from cyber-attack or a data breach, could create significant financial and legal exposure, as well as damage to the Group's reputation and brands and may result in a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. See also "*The Group is exposed to many forms of legal and regulatory risk*", "*The Group could be subject to reputational harm that could damage its brands*", "*The Group is exposed to operational risks in the event of a failure of its IT systems, and the Group relies on third parties for significant elements of its IT and other middle and back office processes*" and "*The Group is exposed to risks associated with cybercrime and information security*".

#### **The Group is exposed to risks associated with cybercrime and information security**

As a financial institution, the Group is subject to a heightened risk of actual or attempted IT security breaches by sophisticated cybercrime groups. Any failure by the Group's intrusion detection and anti-penetration software to anticipate, prevent or mitigate a breach of the Group's IT network could significantly disrupt the Group's operations.

The Group maintains a focus on managing risks arising from a failure or breach of its information technology systems or via its supply chains. The Group continues to invest in its information security controls in response to emerging cybercrime threats and to seek to ensure that controls for known threats remain robust. The Group recognises that financial services organisations face an increasing number and variety of cyber-attacks that could result in customer exposure, business disruption, financial losses, legal penalties or reputational damage. Continuously improving resilience against emerging cyber threats requires an understanding of the tactics and motivations of potential attackers. The Group cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. Any breach in the security of

the Group's IT systems could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure, as well as damage to the Group's reputation and brands and may result in a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

**The Group may suffer loss from criminal activity, including fraud or theft**

As a financial institution and in light of adverse economic conditions, the Group is subject to a heightened risk that it will be the target of criminal activity, including fraud or theft. Due to the nature of the Group's business, it has exposure to many different customers, counterparties and third party service providers. The Group's selection and screening processes for its third party service providers and lending customers, as well as its internal relationship management processes, may be ineffective if the Group's customers, counterparties or third party service providers engage in fraudulent activity.

For example, the Group is exposed to potential losses resulting from customers, counterparties or third party service providers providing the Group with falsified or fictitious information to obtain financing or other economic benefit. Further examples of possible fraudulent activity include borrowers of invoice discounting provided by the Group's Commercial Finance division raising falsified or fictitious invoices or diverting payments owed to the Group from the underlying customer into a borrower's own bank account. Such fraudulent activity could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group also relies on the accuracy and completeness of information it receives from its third party service providers, credit reference agencies and customers. If the Group receives inaccurate or misleading financial statements, credit reports or other financial information relating to its borrowers, those borrowers may be more likely to default on their obligations to the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

In addition, losses arising from staff misconduct may result from, among other things, failure to document transactions properly or obtain proper internal authorisation in an attempt to defraud the Group, or from theft by staff of customer data or physical theft at the Group's premises. This behaviour may be difficult to prevent or detect, and the Group's internal policies to mitigate these risks may be inadequate or ineffective. Further, the lack of physical security may result in unauthorised persons gaining access to the Group's premises, staff, systems and data, which could result in criminal activity taking place. The Group may not be able to recover the losses caused by these activities, and such activities could result in a failure of the Group to meet its obligations to stakeholders including customers and regulators, and it could suffer reputational harm as a result, which could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

**The Group is subject to risks associated with its hedging and treasury operations**

While the Group does engage in hedging operations, it does not hedge all of its risk exposure and cannot guarantee that its hedging strategies will be successful due to factors such as behavioural risk, unforeseen volatility in interest rates or decreasing credit quality of hedge counterparties in times of market dislocation.

The Group is exposed to basis risk across lending, investments and funding referenced to differing underlying indexes such as Bank of England Base Rate, Sterling Overnight Index Average and internally administered rates. In the event that such rates do not increase and decrease proportionality and at the same time the Group may experience net interest margin deterioration.

Any inability of the Group to manage effectively its hedging and treasury operations could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

**The Group could fail to attract or retain senior management or other key staff**

The Group's success depends on the continued service and performance of its key staff, particularly its senior management, and its ability to attract, retain and develop high-calibre talent. The Group may not succeed in

attracting and retaining key personnel if they do not identify or engage with the Group's vision, purpose, strategy and values or, even allowing for the Group's policies on hybrid and flexible working, they do not wish to be located or relocate to the Group's key locations in Cardiff, London, Manchester and Birmingham. The Group competes for talented people with specialist skills and operational capabilities that are in relatively short supply and the Group, as a smaller market participant, may not have sufficient scale to offer staff rates of compensation or opportunities to advance within the organisation comparable to its larger competitors, particularly at more senior levels. Competition for high-calibre senior management and other key staff may increase as the Group's competitors offer hybrid, permanently remote or other ways of working or if the Group's competitors were to relocate to the Group's key locations for cost saving or other reasons. In addition, external factors such as macroeconomic conditions, the increasingly rigorous regulatory environment, changes to work permit and visa rules, or negative media attention on the financial services industry may adversely impact attracting and retaining staff.

Any failure to attract and retain key staff, including senior management, could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

### **Legal and regulatory proceedings could impact upon the Group's reputation and earnings**

The Group is subject to legal and regulatory proceedings in the course of its business. Risks relating to these proceedings may arise for various reasons, including: (i) the Group's business may not be, or may not have been, conducted in accordance with applicable laws or regulations; (ii) contractual obligations may not be enforceable as intended or unless judgment or court or other regulatory approval is obtained, or may be enforced in a way that is adverse to the Group; or (iii) liability for damages may be incurred to third parties harmed by the conduct of the Group's business. There can be no assurance that the Group will prevail in any future litigation or regulatory proceedings. Any litigation or other proceedings, whether or not decided in the Group's favour or settled by the Group, could be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations. In addition, any proceedings could adversely affect the Group's reputation and the market's perception of the Group and the products and services that it offers, as well as customer demand for those products and services, which could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and/or prospects.

In particular, the Group faces both financial and reputational risks from legal and regulatory proceedings, and complaints made to it directly or to the FOS or regulatory bodies, both against the Group and against members of the banking industry more generally. For example, the UK courts can exercise a wide degree of discretion when evaluating whether a credit agreement was "unfair" with respect to a borrower and render such arrangement unenforceable. Please also see "*Recent legislative and regulatory changes and future legislative and regulatory changes are imposing or could impose operational restrictions on the Group, require the Group to raise further capital, increase the Group's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects*" above. New interpretations of the law expose the Group to the risk that types of contract previously entered into may now be voidable or practices thought to be lawful are reversed and decided to be unlawful. The Group cannot be certain that its interpretation of the laws relating to credit agreements will continue to be correct and that its interpretation will not be challenged in the future. Any such adverse interpretations, whether by the courts or regulatory bodies, could be material in amount and have a material adverse effect on the Group's reputation, business, financial condition, results of operations and/or prospects.

### **The Group is subject to changes in taxation laws**

The Group's activities are conducted in the UK, and consequently, it is subject to a range of UK taxes. Revisions to tax legislation or to its interpretation could result in increased tax rates (including in relation to UK corporation tax rates) or additional taxes. In addition, the Group is subject to periodic tax audits, which could

result in additional tax assessments relating to past periods which may result in a further liability to tax or the application of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The UK Government introduced provisions in the Finance (No. 2) Act, enacted on 18 November 2015, to charge an 8 per cent. surcharge on profits of banks to the extent that they exceed £25 million per year (the “**banking surcharge**”).

The Finance Act 2022, enacted on 24 February 2022, included legislation to reduce the banking surcharge from 8 per cent. to 3 per cent., and to increase the profit allowance available for banks before the banking surcharge applies from £25 million per year to £100 million per year, with effect from 1 April 2023. The UK Government confirmed, in its Autumn Statement 2022 on 17 November 2022, that these changes are to proceed as planned and will take effect on 1 April 2023 along with the planned increase in the corporation tax rate from 19 per cent. to 25 per cent. Adverse changes in tax laws, and any other reform amendments to, or changes in the interpretation or enforcement of, applicable tax legislation (including in relation to the recognition of deferred tax assets) that negatively impact the Group or its customers could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

**The Group's risk management framework, systems and processes, and related guidelines and policies, may prove inadequate to manage its risks, and any failure properly to assess or manage these risks could harm the Group**

The Group faces a wide range of risks in its core business activities, including credit risk and liquidity risk, conduct risk and interest rate risk. Effective risk management requires, among other things, robust policies, processes and controls for the accurate identification and control of many transactions and events, and the Group's risk management policies, processes and controls may not prove to be adequate. The Group has a range of tools designed to identify, assess and manage the various risks which it faces, some of which are based on historical market behaviour. These methods may be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historical experience. Other methods the Group utilises for risk management are based on the evaluation of markets, customers or other information that is publicly known or otherwise available to the Group. This information may not always be correct, updated or correctly evaluated. Furthermore, in respect of certain products the Group has a limited operating history and, consequently, does not have a long track record on which it can assess the performance of its systems and processes or the analysis of those systems' outputs in respect of those products. As such, it may be difficult to predict changes in economic or market conditions and to anticipate the effects that these changes could have on the Group's financial performance and business operations, particularly after the COVID-19 pandemic or in periods of unusual or extreme market conditions. The Group is also limited by a maximum level of risk that it can assume before breaching constraints determined by regulatory capital and liquidity needs and its regulatory and legal obligations, including, among others, from a conduct and prudential perspective. If the Group's risk management policies, processes and controls are ineffective for any reason, this could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

**Changes in the Group's accounting policies or in accounting or sustainability standards and guidance could materially affect how it reports its financial and non-financial condition and results of operations**

From time to time, the International Accounting Standards Board (the “**IASB**”), the International Sustainability Standards Board (the “**ISSB**”) and/or the UK could change the IFRS, international sustainability standards as they develop, or their respective application in the UK that govern the preparation of the Group's financial statements and/or non-financial information (such as relating to the sustainability of the Group's activities). From time to time, the Financial Reporting Council (as it transitions to and is expected to become the Audit,



Reporting and Governance Authority (together, the “FRC”) may revise the Governance Code and issue guidance impacting how the Group complies with that Code, corporate reporting, audit and distributable profit calculations. These changes can be difficult to predict and could materially affect how the Group records and reports its financial condition, results of operations, non-financial information, measures and targets. In some cases, the Group could be required to apply a new or revised standard or guidance retrospectively, resulting in restating prior period financial statements.

The IASB, ISSB or FRC or any replacement or successor organisation may make other changes to financial accounting and reporting standards and guidance that govern the preparation of the Group’s financial and non-financial statements, which the Group may adopt prior to the date on which such changes become mandatory or best practice if decided to be appropriate, or which the Group may be required or expected to adopt. Any such change in the Group’s accounting policies or accounting standards, or applicable guidance could materially affect its reputation, reported financial condition, results of operations and/or prospects.

**The Group’s insurance coverage may not be renewable or adequate to cover all possible losses that it could suffer, and its insurance costs could increase in the future**

The Group’s insurance policies do not cover all types of potential losses and liabilities and are subject to limits and excesses. There can be no assurance that the Group’s insurance will be sufficient to cover the full extent of all losses or liabilities for which it is ultimately responsible and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all. Any such inability to renew its insurance policies could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

**The Group is exposed to risks relating to climate change**

The physical effects of climate change and the transition risks of climate change are becoming ever more apparent. Climate change and the Group’s response to emerging threats posed by it, are under increasing scrutiny by governments, regulators and society as a whole. These risks are already becoming apparent in the shorter term as consumers’ preferences change and governments and regulators implement their strategic responses. The Group is exposed to risks in relation to both the physical effects of climate change and the transition risks of climate change. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, such as their impact on its internal operational sites and the levels of flood risk to property assets held as security, and, therefore, the potential credit risks associated with the level of security cover for lending by Real Estate Finance. They also include transition risks resulting from the process of adjustment towards a lower carbon economy, such as the risk of an accelerated transition to the use of ‘non fossil fuelled vehicles’ on the residual values of the Issuer’s security relating to petrol and/or diesel fuelled vehicles and, for example, the risk of increased cost of customers returning their vehicles earlier than planned. Physical and transitional climate change risks may adversely impact Commercial Finance customers as they respond to any changes to their business from the effects of climate change, and the value of the security for their facilities provided by the Group.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes and transition towards those outcomes, which could increase compliance costs for the Group, drive asset impairments, adversely affect the value of security and result in regulatory fines or other action if the Group is unable to implement adequate reforms in sufficient time. For example, the Group faces risks from any potential impacts from further regulatory tightening in standards across the UK for the Energy Performance Certificate (“EPC”) requirements for Real Estate Finance assets in its portfolio, noting that the legal minimum EPC Grade for any existing tenancies was raised to ‘E’ as of 1 April 2020. How the Group assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its

peers, could result in adverse effects on the value of the security for its secured lending to business customers, loan impairment provisions, reputational damage, investor appetite and/or increased risk of legal claims.

## **RISKS RELATED TO THE NOTES**

### **The Notes constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer**

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

For the avoidance of doubt, the Holders shall, in a Winding-Up, have no claim in respect of the surplus assets (if any) of the Issuer remaining in any Winding-Up following payment of all amounts due in respect of the liabilities of the Issuer.

Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should the Issuer become insolvent. See also “*The Notes may be subject to statutory write-down or bail-in*” and “*Other powers contained in the Special Resolution Regime under the Banking Act may affect Holders’ rights under, and the value of their investments in, the Notes*”

### **No limitation on issuing senior or *pari passu* notes**

There is no restriction on the amount of notes that the Issuer may issue, nor on the amount of any other obligations it may incur or assume, which rank senior to, or *pari passu* with or junior to, the Notes. The Issuer may make certain modifications to the provisions of Conditions 3 and 4 and the Trust Deed in order to permit such ranking (subject to Regulatory Approval therefor from the Supervisory Authority) by way of certification to the Trustee as further set out in the Trust Deed and such modifications would be binding on the Trustee, the Holders and all other interested parties. The issue of any such securities and/or the incurrence or assumption of any such other obligations may reduce the amount (if any) recoverable by Holders during a winding-up or administration or resolution of the Issuer and may limit the Issuer’s ability to meet its obligations under the Notes. The Issuer may also issue, in the future, subordinated liabilities which rank senior to the Notes. In addition, the Notes do not contain any restriction on the Issuer’s ability to issue securities that may have preferential rights to those of the Notes.

### **The remedies available to Holders under the Notes are limited**

Holders may not at any time demand repayment or redemption of their Notes prior to the Maturity Date, although in a Winding-Up the Holders will have a claim (subordinated as provided above) for an amount equal to the principal amount of the Notes plus any accrued and unpaid interest (and, if applicable, any damages awarded for breach of the Issuer’s obligations under the Notes).

The sole remedy in the event of any non-payment of principal or interest under the Notes, subject to certain conditions as described in Condition 8, is that the Trustee, on behalf of the Holders may, at its discretion, or shall if so requested by an Extraordinary Resolution of the Holders, or in writing by the Holders of at least one quarter of the aggregate principal amount of the Notes then outstanding subject to applicable laws and, in each case, subject to its having been indemnified and/or secured and/or prefunded to its satisfaction, institute proceedings for the Winding-Up of the Issuer and/or prove in any Winding-Up or other insolvency proceedings in respect of the claim described in Condition 4(a).

The remedies under the Notes are more limited than those typically available to the Issuer's unsubordinated creditors. For further details regarding the limited remedies of the Trustee and the Holders, see Condition 8.

### **The Notes may be subject to statutory write-down or bail-in**

Pursuant to the Banking Act, the Notes could (in whole or in part) be subject to the exercise of regulatory capital write-down powers at the point of non-viability in certain circumstances. The write-down power may be used prior to resolution and for these purposes the point of non-viability will be the point at which the UK resolution authority determines that the Issuer or a member of the Issuer Group meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments are written down or converted to equity or the relevant entity requires extraordinary public support, without which the UK resolution authority determines that the relevant entity would no longer be viable. The Notes (insofar as they have not already been written down or converted under such regulatory capital write-down powers) also fall within the scope of the bail-in powers set out in the Banking Act. The Bank of England may use the bail-in tool (in combination with other resolution tools under the Banking Act) to effect the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes or other securities or other obligations of the Issuer or another person, or any other modification or variation to the terms of the Notes, or the conversion of the Notes into other securities of the Issuer or another person. Any such other securities could, in turn, be subject to the further application of any bail-in or other resolution powers. Broadly speaking, the use of the regulatory capital write-down powers and bail-in tool are expected to respect the creditor hierarchy and, accordingly, as subordinated obligations, the Notes would be expected to bear losses in full before any more senior-ranking obligations of the Issuer bear losses. The determination that such regulatory capital write-down powers or bail-in powers will be exercised in respect of all or part of the principal amount of the Notes may be unpredictable and may be outside of the Issuer's control.

Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow trading behaviour associated with other types of securities. Any final determination, or actual or perceived increase in the likelihood, that such powers will be exercised in respect of the Notes could have an adverse effect on the market price of the Notes (and this may be the case whether or not such powers are, ultimately, exercised in respect of the Notes).

Potential investors should also consider the risk that a Holder may lose all of its investment in the Notes and all of its claims to accrued and unpaid interest. Any principal, interest or other amounts written-off as a result of the application of either regulatory capital write-down powers or bail-in powers would be irrevocably lost and Holders of such Notes would cease to have any claims for (i) the written-off principal amount of the Notes, (ii) any other accrued obligations or claims arising in relation to such amounts and (iii) any unaccrued obligations or claims arising in relation to such amounts. In circumstances where the Bank of England uses its regulatory capital write-down powers or bail-in powers to reduce a portion of the principal amount of the Notes, the terms of the Notes would continue to apply in relation to the residual principal amount, subject to any modification to the amount of interest payable to reflect the reduction of the principal amount. Regulatory capital write-down powers or bail-in powers could also be exercised in respect of the Notes without the Holders receiving other compensation for the loss of their investment in the Notes. The Banking Act provides that, other than in certain limited circumstances as set out in the Banking Act, extraordinary governmental financial support will only be available to the Issuer as a last resort once all resolution tools, including the bail-in powers above, have been exploited to the maximum extent possible. Accordingly, it is unlikely that Holders will benefit from such support even if it were provided.

In the event the Bank of England exercises its bail-in powers, it must ensure that creditors do not incur greater losses than they would have incurred had the institution been wound up under normal insolvency proceedings immediately before the exercise of the resolution power, however there can be no guarantee that the application

of this requirement will mean that a Holder will not lose all of its investment in the Notes in the event that the Bank of England uses its bail-in powers in this way.

Although the exercise of the bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of the Issuer or not directly related to the Issuer) which the Bank of England would consider in deciding whether to exercise such power with respect to the Issuer and securities (including the Notes) issued by it. Because of this inherent uncertainty and given that the relevant provisions of the Banking Act remain largely untested in practice, it will be difficult to predict when, if at all, the exercise of a loss absorption power may occur which would result in a principal write-off or conversion to other securities. Moreover, as the Bank of England may have considerable discretion in relation to how and when it may exercise such power, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on the Issuer and the Notes.

The exercise of such powers or any suggestion of such exercise could, therefore, materially adversely affect the rights of holders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

**Other powers contained in the Special Resolution Regime under the Banking Act may affect Holders' rights under, and the value of their investment in, the Notes**

The Banking Act gives substantial powers to the Bank of England (or, in certain circumstances, HM Treasury), the PRA and the FCA (together the “**Authorities**”) to resolve failing banks and their groups. Those powers are set out under the Special Resolution Regime made under the Banking Act, which (along with rules in the PRA Rulebook and the FCA Handbook as well as amendments to HM Treasury’s SRR Code of Practice) also implements the provisions of the BRRD relating to the resolution of banks and certain other financial institutions.

The Special Resolution Regime consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity to a private sector purchaser; (b) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England; (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool (as described below) and (e) temporary public ownership (nationalisation). The Special Resolution Regime also includes a requirement for the UK resolution authority to write-down and convert capital instruments if the conditions to resolution are met, which may be implemented independently of, or in combination with, the exercise of a resolution tool (other than the bail-in tool, which would be used instead of the capital instruments write-down and conversion power). The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. The bail-in tool involves allocating an entity’s losses to its shareholders and unsecured creditors in a manner that (i) respects the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the “no creditor worse off” safeguard). See also “*The Notes may be subject to statutory write-down or bail-in*” above. The Banking Act also gives power to the UK Government to make further amendments to the law for the purpose of enabling it to use the Special Resolution Regime powers effectively, potentially with retrospective effect.

The powers set out in the Banking Act could affect how credit institutions, such as the Issuer, are managed as well as, in certain circumstances, the rights of creditors. Accordingly, the taking of any actions contemplated by the Banking Act may affect Holders’ rights under the Notes and/or the ability of the Issuer to make payments

under the Notes, and the value of their Notes may be affected by the actual or anticipated exercise of any such powers or threat thereof.

### **The Authorities may implement their powers prior to insolvency of the Issuer**

The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties giving rise to wider public interest concerns. Accordingly, the stabilisation options may be exercised if (i) the relevant Authority is satisfied that a relevant entity (such as the Issuer) is failing, or is likely to fail (including where the relevant entity is failing or likely to fail to meet the threshold conditions specified in FSMA), (ii) following consultation with the other Authorities, the relevant Authority determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those conditions, (iii) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors) and (iv) the relevant Authority consider that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity. It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

Although the Banking Act provides for conditions to the exercise of any resolution powers and European Banking Authority guidelines set out the objective elements for determining when an institution is failing or likely to fail, it is uncertain how the Authorities would assess such conditions in any particular situation. Therefore Holders may not be able to anticipate a potential exercise of any such powers on the Issuer or the Notes.

### **A partial transfer of the Issuer's business may result in a deterioration of its creditworthiness**

If the Issuer were made subject to the Special Resolution Regime and, notwithstanding the Bank of England's current preferred resolution strategy for the Issuer, which is a modified insolvency process, a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (which may include the Notes) may result in a deterioration in the creditworthiness of the Issuer and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Notes and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

### **The Notes are not 'protected liabilities' for the purposes of any Government compensation scheme**

In the UK, the FSCS was established under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms paying compensation to customers if the firm is unable, or likely to be unable, to pay certain claims (including in respect of deposits and insurance policies) made against it (together, "Protected Liabilities").

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

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

The Notes mature on 28 August 2033. The Issuer is under no obligation to redeem the Notes or repay all or part of the principal amount of the Notes at any time prior thereto and the Holders have no right to require the Issuer or any member of the Issuer Group to redeem or purchase any Notes at any time prior to their maturity. Any redemption of the Notes prior to their maturity and any purchase of any Notes by the Issuer or any of its

subsidiaries will be subject always to the prior Regulatory Approval therefor and to compliance with each other condition set out in Condition 6(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) (to the extent that such condition is applicable) and any one or more alternative or additional pre-conditions as required by the prevailing Regulatory Capital Requirements. Furthermore, Holders may not be able to sell their Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

**The Notes are subject to early redemption at the option of the Issuer and upon the occurrence of certain tax and regulatory events**

Subject to the Issuer obtaining prior Regulatory Approval therefor and to compliance with each other condition set out in Condition 6(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) (to the extent that such condition is applicable) and any one or more alternative or additional pre-conditions as required by the prevailing Regulatory Capital Requirements, the Issuer may, at its option, redeem all (but not some only) of the Notes at any time in the six months prior to and including the Reset Date, or at any time upon the occurrence of a Tax Event or a Capital Disqualification Event, at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption.

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

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

In addition, Holders may not be able to predict accurately, or at all, the circumstances in which a Capital Disqualification Event or a Tax Event may occur. Any expectation that a Capital Disqualification Event or a Tax Event has occurred or may occur, or any uncertainty as to whether any such event has occurred or may occur, may affect the market price of the Notes, whether or not a Capital Disqualification Event or a Tax Event actually occurs, and whether or not the Issuer elects to exercise any related redemption right.

**The Issuer may substitute the Notes or vary their terms without the consent of the Holders**

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to Condition 6(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), and without any requirement for the consent or approval of the Holders, at any time (whether before, on or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities. While Compliant Securities must have terms that are not materially less favourable to an investor than the terms of the Notes, there can be no assurance that, whether due to the particular circumstances of each Holder or otherwise, such Compliant Securities will be as favourable to each Holder in all respects.

**The interest rate on the Notes will be reset on the Reset Date, which may affect the market value of the Notes**

The Notes will initially earn interest at a fixed rate of interest to, but excluding, the Reset Date. From, and including, the Reset Date, however, the interest rate will be reset to the Reset Rate of Interest (as described in

Condition 5(d)). This Reset Rate of Interest could be less than the initial rate of interest, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

The Notes are initially fixed rate instruments and, accordingly, investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes and the interest paid under the Notes will be less than the then applicable market interest rate.

#### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Notes 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 pounds sterling). An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

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

At any time, the Trustee may (subject to Regulatory Approval therefor from the Supervisory Authority) agree to the substitution in place of the Issuer as the principal debtor under the Notes on a subordinated basis equivalent to that referred to in Conditions 3 and 4 of (i) the Issuer's successor in business; or (ii) any Subsidiary of the Issuer or its successor in business, in each case subject to the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Holders and to certain other conditions set out in the Trust Deed being complied with but without the consent of the Holders.

#### **The Notes are complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors**

The Notes are complex financial instruments that involve a high degree of risk. As a result, an investment in the Notes will involve certain increased risks. Each potential investor of the Notes must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Admission Particulars;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where such potential investor's financial activities are principally denominated in a currency other than pounds sterling, and the possibility that the entire principal amount of the Notes could be lost, including following the exercise by the resolution authority of any UK bail-in power or regulatory capital write-down power;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets, including the possibility that the Notes may become subject to

write down or conversion if the UK bail-in power or regulatory capital write-down power is exercised; and

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

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such financial instruments 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 Notes unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in these Admission Particulars or incorporated by reference herein.

**Because the Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer**

The Notes will, upon issue, be represented by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes are in global form, the payment obligations of the Issuer under the Notes will be discharged upon such payments being made by or on behalf of the Issuer to or to the order of the nominee for the common depository. A holder of a beneficial interest in a Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Furthermore, Holders will rely on the procedures of Euroclear and Clearstream, Luxembourg in the event a meeting of Holders is convened or an Extraordinary Resolution is otherwise proposed in respect of the Holders while they are represented by the Global Certificate.

**Integral multiples**

Investors who hold a principal amount of Notes that is less than the minimum specified denomination will be adversely affected if certificates evidencing holdings of Notes are subsequently required to be issued. The Notes are issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. If Certificates evidencing holdings of Notes were to be issued, a Holder who holds less than £100,000 in principal amount of the Notes in its account with a relevant clearing system would not be able to receive a Certificate representing those Notes, and would need to purchase additional Notes such that it holds at least a principal amount of £100,000 in order to receive its Certificate representing those Notes.

**Meetings of Holders and modification**

The Conditions of the Notes contain provisions for calling meetings of Holders (including in a physical place or by any electronic platforms (such as conference call or videoconference) or a combination of such methods) to consider matters affecting their interests generally. The Trust Deed also provides that a resolution in writing signed by or on behalf of, or a resolution passed by way of electronic consents given by or on behalf of, the Holders of not less than 75 per cent. in aggregate principal amount of the outstanding Notes shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly



convened and held. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give electronic consent, and Holders who voted in a manner contrary to the majority. Such a meeting may be convened by the Issuer or the Trustee at its option and shall be convened by the Trustee if directed in writing by Holders holding not less than 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding.

In addition, the Trustee may agree, without the consent of the Holders, to make any modification (other than as set out in the Trust Deed in the case of (i) below) to any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement that: (i) in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders; or (ii) in its opinion, is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Holders.

No modification to the Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have received Regulatory Approval therefor from the Supervisory Authority.

### **Change of law**

The Conditions will be governed by the laws of England. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of these Admission Particulars.

### **No established market**

The Notes have no established trading market on issuance, and one may never develop. If a market does develop, it may not be very liquid and/or may be more volatile than for other securities, therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Notes, which have been designed to meet regulatory capital requirement and as a result have a more limited secondary market and more price volatility than conventional debt securities. These risks may be further exacerbated if the Notes are initially issued to and held by only one or a small number of initial investors. As the Issuer does not intend to seek a credit rating for the Notes, the absence of any such rating may also adversely affect any market in the Notes, and certain investors may be unable to invest in unrated securities. Illiquidity may have a severely adverse effect on the market value of Notes. Although application has been made for the Notes to be listed on the ISM of the London Stock Exchange, there is no assurance that an active trading market or liquidity will develop.

### **Legality of purchase**

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor in the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

### **Legal investment considerations may restrict certain investments**

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

**Taxation**

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes and/or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Notes. Potential investors are advised not to rely upon the tax summary contained in these Admission Particulars but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. This risk factor has to be read in connection with the taxation sections of these Admission Particulars.

**Limitation on gross-up obligation under the Notes**

The Issuer's obligation to pay Additional Amounts under the Conditions applies only to payments of interest due and paid under the Notes and not to payments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the Conditions to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Holders may receive less than the full amount due under the Notes, and the market value of the Notes may be adversely affected.

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

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

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

## TERMS AND CONDITIONS OF THE NOTES

*The following, subject to alteration and completion, are the terms and conditions of the Notes which will be endorsed on each Certificate in definitive form (if issued).*

The £90,000,000 13.000 per cent. Fixed Rate Reset Callable Subordinated Notes due 2033 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 15) of Secure Trust Bank PLC (the "**Issuer**") are constituted by a trust deed (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") dated 28 February 2023 between the Issuer and U.S. Bank Trustees Limited (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Notes.

These terms and conditions (as amended from time to time, the "**Conditions**", and references to a numbered "Condition" shall be construed accordingly) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of the Trust Deed and of the agency agreement (as amended and/or restated and/or supplemented from time to time, the "**Agency Agreement**") dated 28 February 2023 relating to the Notes between the Issuer, Elavon Financial Services DAC, UK Branch as the initial principal paying agent (the person for the time being the principal paying agent, the "**Principal Paying Agent**"), Elavon Financial Services DAC as the initial registrar (the person for the time being the registrar, the "**Registrar**"), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s), the "**Transfer Agent(s)**"), and the Trustee, are (i) available for inspection during usual business hours at the principal office of the Trustee (being at the Issue Date at Fifth Floor, 125 Old Broad Street, London EC2N 1AR) and at the specified offices of the Principal Paying Agent or (ii) may be provided by email to a Holder upon request to the Trustee or the Principal Paying Agent, subject in each case to the Holder providing evidence of a holding of Notes and identity satisfactory to the Trustee or the Principal Paying Agent, as applicable (and to the Trustee or Principal Paying Agent being supplied by the Issuer with an electronic copy of each such document). The Holders 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 those provisions applicable to them of the Agency Agreement.

### 1. **Form, Denomination and Title**

#### (a) **Form and Denomination**

The Notes are serially numbered in the denominations of £100,000 and integral multiples of £1,000 in excess thereof.

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

#### (b) **Title**

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

In these Conditions, "**Holder**" means the person in whose name a Note is registered in the Register (or, in the case of a joint holding, the first person so named).

### 2. **Transfers of Notes**

#### (a) **Transfer**

A holding of Notes may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove title to

the Notes that are the subject of the transfer and the authority of the individual(s) who have executed the form of transfer. Legal title to the Notes will pass upon registration of such transfer in the Register. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

(b) **Delivery of New Certificates**

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

(c) **Transfer Free of Charge**

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

(d) **Closed Periods**

No Holder may require the transfer of a Note to be registered during the period of 15 days prior to (and including) the date on which Notes are scheduled to be redeemed or substituted by the Issuer pursuant to Condition 6, or (ii) during the period of seven days ending on (and including) any Record Date.

3. **Status**

The Notes constitute direct, unsecured and unguaranteed obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Notes (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in Condition 4.

4. **Subordination**

(a) **Winding-Up**

If a Winding-Up occurs, the rights and claims of the Holders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Note shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect thereof, provided however that such rights and claims shall be subordinated as provided in this Condition 4(a) and in the Trust Deed to the claims of all Senior Creditors but shall rank (i) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation

on the amount of such capital constitute, Tier 2 Capital and (ii) in priority to the claims of holders of all undated or perpetual subordinated obligations of the Issuer and to the claims of holders of all classes of share capital of the Issuer.

(b) **Set-off**

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of their holding of any Note (or any beneficial interest therein), be deemed, to the fullest extent permitted by applicable law, to have waived all such rights of set-off, compensation, counterclaim or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

5. **Interest Payments**

(a) **Interest Rate**

The Notes bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Interest shall be payable on the Notes in equal instalments semi-annually in arrear on each Interest Payment Date as provided in this Condition 5.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a full Interest Period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (1) the actual number of days in the Interest Period in which the relevant period falls and (2) the number of Interest Periods normally ending in any year.

(b) **Interest Accrual**

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(a), (c), (d) or (e) or the date of substitution thereof pursuant to Condition 6(f), as the case may be, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 5(a) in relation to equal instalments, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 5(a) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of each Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) **Initial Fixed Interest Rate**

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 13.000 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) **Reset Rate of Interest**

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 5 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum (expressed as a percentage rate per annum and rounded, if necessary, to three decimal places, with 0.0005 being rounded up) of the Reset Reference Rate and the Margin.

(e) **Determination of Reset Rate of Interest**

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on the Reset Determination Date, determine the Reset Rate of Interest in respect of the Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Holders and all other interested parties.

(f) **Publication of Reset Rate of Interest**

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 in respect of the Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are at the relevant time listed and/or admitted to trading and, in accordance with Condition 14, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 8(a), the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) **Agent Bank**

Whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, the Issuer will maintain an Agent Bank.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another independent investment bank or financial institution to act as Agent Bank in its place. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of the Reset Period as provided in Condition 5(d), the Issuer shall forthwith appoint another independent investment bank or financial institution approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) **Determinations of Agent Bank Binding**

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

6. **Redemption, Substitution, Variation and Purchase**

(a) **Final Redemption**

Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6(f)) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest on 28 August 2033 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Conditions to Redemption, Substitution, Variation and Purchase**

Any redemption, substitution, variation or purchase of the Notes in accordance with Conditions 6(c), (d), (e), (f) or (g) is subject, as applicable, to:

- (i) the Issuer obtaining prior Regulatory Approval therefor;
- (ii) in the case of any redemption or purchase prior to the Maturity Date, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that, either: (A) the Issuer has (or

will, on or before the relevant redemption or purchase date, have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or the Issuer Group; or (B) the own funds and eligible liabilities of the Issuer and the Issuer Group would, following such redemption or purchase, exceed its minimum applicable requirements (including any applicable buffer requirements) by a margin that the Supervisory Authority considers necessary at such time;

- (iii) in the case of any redemption of the Notes prior to the fifth anniversary of the Reference Date, following a Tax Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;
- (iv) in the case of any redemption of the Notes prior to the fifth anniversary of the Reference Date, following a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change (or pending change) in the regulatory classification of the Notes was not reasonably foreseeable as at the Reference Date; and
- (v) in the case of any purchase of the Notes prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g), either (A) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that it has (or will, on or before the relevant purchase date, have), replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or the Issuer Group (as the case may be), and the Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances, or (B) the relevant Notes are being purchased for market-making purposes in accordance with the then prevailing applicable Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit such redemption, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6(b), the Issuer shall (in addition or in the alternative, as the case may be) comply with such other and/or, as appropriate, additional pre-condition(s).

Any refusal by the Supervisory Authority to give Regulatory Approval as contemplated above shall not constitute a default for any purpose.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories confirming compliance with the conditions set out in (i) to (v) above (to the extent each such condition is applicable) and (other than redemption pursuant to Condition 6(c)) stating that the relevant requirements or circumstances giving rise to the right to redeem, substitute or, as appropriate, vary the Notes is satisfied and, in the case of a substitution or variation, that the terms of the relevant Compliant Securities comply with the definition thereof in Condition 19 and the Trustee shall be entitled without any further enquiry and without liability to any person to accept such certificate as correct, conclusive and sufficient evidence of the satisfaction of the relevant conditions precedent in which event it shall be conclusive and binding on the Trustee, the Principal Paying Agent, the Transfer Agent(s), the Registrar, the Holders and all other interested parties.

(c) **Issuer's Call Option**

Subject to Condition 6(b), the Issuer may, by giving not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes at any time in the six months prior to and including the Reset Date at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(d) **Redemption Due to Taxation**

If, prior to the giving of the notice referred to in this Condition 6(d), at any time a Tax Event has occurred, then the Issuer may, subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar, the Principal Paying Agent (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(e) **Redemption for Regulatory Purposes**

If, prior to the giving of the notice referred to in this Condition 6(e), a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(f) **Substitution or Variation**

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, subject as aforesaid, be irrevocable and shall specify the date fixed for substitution or variation, as the case may be, of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities, and the Trustee shall (subject to the following provisions of this Condition 6(f) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 6(b) above and in the definition of Compliant Securities) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6(f), as the case may be.

The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Compliant Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Compliant Securities or the participation in or assistance with such substitution or variation would (in the Trustee's opinion) have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) increasing or adding to the obligations or duties of the Trustee or (iii) removing or reducing any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided in Condition 6(b), redeem the Notes as provided in, as appropriate, Condition 6(d) or (e).

In connection with any substitution or variation in accordance with this Condition 6(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(g) **Purchases**

The Issuer or any of its Subsidiaries may, subject to Condition 6(b), at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements. The Notes so purchased (or acquired), while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders (or otherwise vote on any Extraordinary Resolutions) and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 8(c). All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, surrendered to the Registrar for cancellation.



(h) **Cancellation**

All Notes redeemed or substituted by the Issuer pursuant to this Condition 6, and all Notes purchased by or on behalf of the Issuer or its Subsidiaries and surrendered for cancellation to the Registrar, will be cancelled forthwith.

(i) **Trustee Not Obligated to Monitor**

The Trustee shall not 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 Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice 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.

7. **Payments**

(a) **Method of Payment**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in like manner as provided for payments of interest in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown in the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in pounds sterling by transfer to a pounds sterling account maintained by the payee with a bank in London.

(b) **Payments Subject to Laws**

Save as provided in Condition 9, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) **Payments on Business Days**

Payment is to be made by transfer to an account in pounds sterling, and payment instructions (for value the due date, or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Delay in Payment**

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

8. **Default**

(a) **Default**

If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal) for a period of 14 days or more or (in the case of any other amount in respect of the Notes) for a period of 21 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default (a "**Default**") under the Trust Deed and the Notes and the Trustee in its discretion may, or (subject to Condition 8(c)) if so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter of the aggregate principal amount of the Notes then outstanding shall, notwithstanding

the provisions of Condition 8(b), institute proceedings for the Winding-Up in England but (save as provided in the next paragraph) may take no other action elsewhere or in respect thereof.

In the event of a Winding-Up (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 8(c)) if so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter of the aggregate principal amount of the Notes then outstanding shall, prove and/or claim in such Winding-Up, such claim being as contemplated in Condition 4(a).

(b) **Enforcement**

Without prejudice to Condition 8(a), the Trustee may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations) provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been due and payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 8(b) shall, however, prevent the Trustee instituting proceedings for the Winding-Up and/or proving and/or claiming in any Winding-Up in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 4(a) and 8(a).

(c) **Entitlement of Trustee**

The Trustee shall not be bound to take any of the actions, steps or proceedings referred to in Condition 8(a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or any other action, step or proceeding under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter of the aggregate principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) **Right of Holders**

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up or prove or claim in any Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails or is unable to do so within a period of 60 days and such failure or inability shall be continuing, in which case the Holder, with respect to the Notes held by it, shall have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in this Condition 8.

(e) **Extent of Holders' Remedy**

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

9. **Taxation**

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (a) held by or on behalf of a Holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of having some connection with the Relevant Jurisdiction otherwise than merely by holding the Note;
- (b) in respect of which the certificate representing such Note is presented for payment (in the case of a payment of interest on redemption) more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the last day of such period of 30 days; or
- (c) to, or to a third party on behalf of, a Holder if such withholding or deduction may be avoided by the Holder complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such Holder proves that it is not entitled so to comply or to make such declaration or claim.

References in these Conditions to interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any Additional Amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA.

#### 10. **Prescription**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

#### 11. **Meetings of Holders, Modification, Waiver and Substitution**

##### (a) **Meetings of Holders**

The Trust Deed contains provisions for convening meetings of Holders (including in a physical place or by any electronic platform (such as conference call or videoconference) or a combination of such methods) 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 the Issuer or the Trustee at its option and shall be convened by the Trustee if directed in writing by Holders holding not less than 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 3 and 4, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or varying the method of calculating the Interest Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the aggregate principal amount of the Notes for the time being outstanding. The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 6(f) in connection with the variation of the terms of the Notes so that they remain or become Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6(f).

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Notes or (ii) a resolution passed by way of electronic consents given by or on behalf of the holders of at least 75 per cent. in aggregate principal amount

of the outstanding Notes shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders duly convened and held.

An Extraordinary Resolution passed at any meeting of Holders or in writing or by way of electronic consents will be binding on all Holders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

(b) **Modification of the Trust Deed**

The Trustee may agree, without the consent of the Holders, to: (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error; and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. The Trustee may, without the consent of the Holders, determine that any Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby. The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed or any substitution of the Notes made pursuant to the relevant provisions of Condition 6(f).

Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have received Regulatory Approval therefor from the Supervisory Authority.

(c) **Substitution**

The Trust Deed contains provisions permitting the Trustee, subject to the Issuer having received any requisite Regulatory Approval therefor from the Supervisory Authority, to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to such amendments to the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 3 and 4 of (i) the Issuer's successor in business; or (ii) any Subsidiary of the Issuer or its successor in business (any such entity, a "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes.

(d) **Entitlement of the Trustee**

In connection with the exercise of its functions (including, but not limited to, in relation to any modification, waiver, authorisation, determination or substitution as provided in these Conditions) the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

(e) **Notices**

Any such modification, waiver, authorisation, determination or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise, shall be notified to the Holders in accordance with Condition 14 as soon as practicable thereafter.

12. **Replacement of the Notes**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and, regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Holders, 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, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. **Rights of the Trustee**

The Trust Deed contains provisions for the indemnification of, and/or the provision of security for and/or prefunding, the Trustee and for its relief from responsibility.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. However, the Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Trustee.

Conditions 3 and 4 apply only to amounts payable in respect of the Notes and nothing in Conditions 3, 4 or 8 shall affect or prejudice the payment of the costs (including legal fees), charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof and in such capacity the Trustee shall rank as an unsubordinated creditor of the Issuer.

The Trustee shall not be liable for any consequences of any application of UK Bail-in Powers or any other recovery or resolution powers (as provided in Condition 17(c) below) in respect of the Issuer or any of its affiliates or any Notes and shall not be required to take any action in connection therewith that would, in the Trustee's opinion, expose the Trustee to any liability or expense unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction; provided that nothing in this paragraph shall prevent any application of UK Bail-in Powers or any other recovery or resolution powers in respect of the Issuer or any of its affiliates or any Notes from taking effect, and each Holder by its acquisition of any Notes (or any interest therein), authorises and instructs the Trustee to take such steps as may be necessary or expedient in order to give effect to any such application of UK Bail-in Powers by the Resolution Authority or any other recovery or resolution powers.

14. **Notices**

Notices required to be given to the Holders pursuant to the Conditions shall be mailed to them at their respective addresses in the Register. The Issuer shall also ensure that all such notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if published more than once or on different dates, on the date of the first publication.

15. **Further Issues**

The Issuer may from time to time without the consent of the Holders, but subject to any Regulatory Approval required, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes ("**Further Notes**"). References in these Conditions to the Notes include (unless the context requires otherwise) any Further Notes issued pursuant to this Condition 15. Any Further Notes shall be constituted by the Trust Deed or a deed supplemental to it.

16. **Agents**

The initial Principal Paying Agent, the Registrar and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Issuer or the Trustee (as applicable) and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar and the Transfer Agents and to appoint additional or other Transfer Agents, provided that it will at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent.

The Issuer undertakes, whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, to appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 14. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Registrar or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

17. **Governing Law, Jurisdiction and Acknowledgement of UK Bail-in Powers**

(a) **Governing Law**

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

(b) **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 or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the courts of England in respect of any such Proceedings. Nothing shall prevent the Trustee from bringing Proceedings in any competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions (whether concurrently or not).

(c) **Acknowledgement of UK Bail-in Powers**

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (or the Trustee on behalf of the Holders), by its acquisition of the Notes (or beneficial interest therein), each Holder acknowledges, accepts and agrees that the Relevant Amounts Due arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority and acknowledges, accepts, and agrees to be bound by:

- (i) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in any of the following, or a combination thereof:
  - (A) the reduction of all, or a part, of the Relevant Amounts Due;
  - (B) the conversion of all, or a portion, of the Relevant Amounts Due in respect of the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Holder of such shares, securities or other obligations), including by means of an amendment, modification or variation of the terms of the Notes;
  - (C) the cancellation of the Notes; and

- (D) the amendment or alteration of the Maturity Date of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

No repayment or payment of Relevant Amounts Due in respect of the Notes will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, cancelled, amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Relevant Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes will constitute a default for any purpose.

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall immediately notify the Trustee and the Principal Paying Agent in writing of such exercise and give notice of the same to the Holders in accordance with Condition 14. Any delay or failure by the Issuer in delivering any notice referred to in this paragraph shall not affect the validity and enforceability of the UK Bail-in Power nor constitute a default by the Issuer for any purpose.

18. **Contracts (Rights of Third Parties) Act 1999**

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

19. **Definitions**

In these Conditions:

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

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

"**Agent**" means the Registrar, the Principal Paying Agent, the Agent Bank and each of the other agents appointed pursuant to the Agency Agreement;

"**Agent Bank**" means an independent investment bank or financial institution to be appointed by the Issuer no later than the Reset Determination Date to perform the functions expressed to be performed by the Agent Bank under these Conditions;

"**Auditors**" means the currently appointed auditors of the Issuer;

"**Authorised Signatories**" means any two authorised signatories of the Issuer in accordance with the Trust Deed;

"**Benchmark Gilt**" means, in respect of the Reset Period, such United Kingdom government security customarily used in the pricing of new issues with a similar tenor having a maturity date on or about the Maturity Date as the Issuer (following consultation with an investment bank of international repute or independent adviser of recognised standing and appropriate expertise), may determine to be appropriate (following any then-current guidance published by the International Capital Market Association at the relevant time, if applicable);

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

"**Calculation Amount**" means £1,000 in principal amount;

**"Capital Disqualification Event"** is deemed to have occurred if, as a result of any change (or pending change which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Notes under the Regulatory Capital Requirements which becomes effective on or after the Reference Date, either the entire outstanding principal amount of the Notes or any part thereof ceases to be included (or would cease to be included) in the Tier 2 Capital of the Issuer or the Issuer Group (as the case may be) (and, for the avoidance of doubt, any amortisation of the Notes pursuant to Article 64 of UK CRR shall not constitute a Capital Disqualification Event);

**"Compliant Securities"** means securities issued directly by the Issuer, or indirectly and guaranteed by the Issuer that:

- (a) have terms which are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certificate to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities);
- (b) subject to paragraph (a) above: (i) contain terms which comply with the then current requirements of the Regulatory Capital Requirements in relation to Tier 2 Capital; (ii) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes and do not provide for interest cancellation or deferral (but without prejudice to such securities containing a provision substantially the same as Condition 17(c)); (iii) rank (or as the case may be, the guarantee by the Issuer ranks) (or would rank) *pari passu* with or senior to the ranking of the Notes; (iv) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; and (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (c) are: (i) admitted to trading on the ISM of the LSE; or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

**"Conditions"** has the meaning given to it in the preamble to these Conditions;

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

**"FATCA"** means Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and any regulations, official guidance or agreements thereunder or official interpretations thereof, any intergovernmental agreement for the implementation of the foregoing or any law implementing an intergovernmental agreement or approach thereto;

**"Gilt Yield Quotations"** means with respect to a Reset Reference Bank and the Reset Period, the arithmetic mean of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of the Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank;

**"Holder"** has the meaning given to it in Condition 1(b);

**"Initial Fixed Interest Rate"** has the meaning given to it in Condition 5(c);

**"Initial Fixed Rate Interest Period"** means the period from (and including) the Issue Date to (but excluding) the Reset Date;

**"Interest Payment Date"** means 28 February and 28 August in each year, commencing on (and including) 28 August 2023;

**"Interest Period"** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;



**"Interest Rate"** means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

**"ISM"** means the International Securities Market of the LSE;

**"Issue Date"** means 28 February 2023, being the date of the initial issue of the Notes;

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

**"LSE"** means the London Stock Exchange plc or any successor thereto;

**"Margin"** means 9.443 per cent. per annum;

**"Maturity Date"** has the meaning given to it in Condition 6(a);

**"Notes"** has the meaning given to it in the preamble to these Conditions;

**"pounds sterling"** means the lawful currency of the United Kingdom;

**"Principal Paying Agent"** has the meaning given to it in the preamble to these Conditions;

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

**"Record Date"** has the meaning given to it in Condition 7(a)(ii);

**"Reference Date"** means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 15;

**"Register"** has the meaning given to it in Condition 1(b);

**"Registrar"** has the meaning given to it in the preamble to these Conditions;

**"Regulatory Approval"** means, in relation to any action, such notice, permission, consent, approval, non-objection and/or waiver for such action as is required under the then prevailing Regulatory Capital Requirements (if any);

**"Regulatory Capital Requirements"** means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy (whether on a risk-weighted, leverage or other basis), prudential supervision (including the requisite features of own funds instruments) and resolution for credit institutions of either: (i) the Supervisory Authority (whether or not having the force of law); and/or (ii) any applicable national law including, as at the Issue Date and for so long as the same shall apply, UK CRR;

**"Relevant Amounts Due"** means the principal amount of, and any accrued but unpaid interest on the Notes. References to such amounts will include (without limitation) amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority;

**"Relevant Date"** means: (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up, the date on which payment in question first becomes due or if the full amount payable has not been received by the Registrar or another Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders; and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the Winding-Up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

**"Relevant Jurisdiction"** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof

or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes;

"**Reset Date**" means 28 August 2028;

"**Reset Determination Date**" means the day falling two Business Days prior to the Reset Date;

"**Reset Period**" means the period from and including the Reset Date to but excluding the Maturity Date;

"**Reset Rate of Interest**" has the meaning given to it in Condition 5(d);

"**Reset Reference Banks**" means five brokers of gilts and/or gilt-edged market makers selected by the Issuer and notified in writing to the Agent Bank;

"**Reset Reference Rate**" means in respect of the Reset Period, the percentage rate determined by the Agent Bank on the basis of the Gilt Yield Quotations provided (upon request by or on behalf of the Issuer) by the Reset Reference Banks to the Issuer and by the Issuer to the Agent Bank at approximately 11:00 a.m. (London time) on the Reset Determination Date. If at least four quotations are provided, the Reset Reference Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be the quotation provided. If no quotations are provided, the Reset Reference Rate will be 3.557 per cent.;

"**Resolution Authority**" means the Bank of England or any successor or replacement thereto and/or such other authority in the United Kingdom with the ability to exercise the UK Bail-in Power;

"**Senior Creditors**" means: (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and (ii) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of Holders in respect of the Notes);

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

"**Substitute Obligor**" has the meaning given to it in Condition 11(c);

"**successor in business**" means, in relation to the Issuer or any Substitute Obligor, any company which as a result of any amalgamation, merger, transfer, reconstruction or agreement, beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Issuer or the relevant Substitute Obligor (as the case may be) immediately prior to such amalgamation, merger, transfer, reconstruction or agreement coming into force and carries on as successor to the Issuer or the relevant Substitute Obligor (as the case may be) the whole or substantially the whole of the business carried on by the Issuer or the relevant Substitute Obligor (as the case may be) immediately prior thereto;

"**Supervisory Authority**" means, at any time, the United Kingdom Prudential Regulation Authority or such other additional or successor or replacement authority having primary supervisory authority with respect to prudential and/or resolution matters concerning the Issuer and/or the Issuer Group at such time;

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

- (i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts;
- (ii) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced or deferred;

- (iii) the Notes are, or will be, prevented from being treated as loan relationships for United Kingdom tax purposes;
- (iv) the Issuer is not, or will not be, able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or
- (v) the Notes or any part thereof are treated as a derivative or an embedded derivative for UK tax purposes, or the Issuer otherwise is or would be required to take changes in or re-estimates of the value of the Notes or any part of the Notes, or of the present value of the cashflows arising in respect of the Notes or any part of the Notes, into account in computing its taxable profits and losses,

and, in any such case, the Issuer cannot avoid the effect of the foregoing by taking such measures as are reasonably available to it;

"**Tax Law Change**" means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the official application or official interpretation of such laws or regulations (including a decision by a court or tribunal of competent jurisdiction) having effect after the Reference Date;

"**Tier 1 Capital**" has the meaning given to it from time to time by the Supervisory Authority or the Regulatory Capital Requirements;

"**Tier 2 Capital**" has the meaning given to it from time to time by the Supervisory Authority or the Regulatory Capital Requirements;

"**Transfer Agents**" has the meaning given to it in the preamble to these Conditions;

"**Trust Deed**" has the meaning given to it in the preamble to these Conditions;

"**Trustee**" has the meaning given to it in the preamble to these Conditions;

"**UK Bail-in Power**" means any write-down, conversion, transfer, modification and/or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of the Issuer Group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009, as the same has been or may be amended from time to time (whether pursuant to the Financial Services (Banking Reform) Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person;

"**UK CRR**" means the 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 and as if forms part of retained EU law (as defined in the EUWA), as amended or replaced from time to time;

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

"**Winding-Up**" means:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or an Extraordinary Resolution and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);

- (ii) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend; or
- (iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE**

The following is a summary of the provisions to be contained in the Trust Deed and in the Global Certificate which will apply to, and in some cases modify the effect of, the Conditions while the Notes are represented by the Global Certificate:

### **Initial Issue of Certificates**

The Global Certificate will be registered in the name of a nominee (the “**Registered Holder**”) for a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

### **Relationship of Accountholders with Clearing Systems**

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

### **Exchange of the Global Certificate**

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from Euroclear, Clearstream, Luxembourg or any other Alternative Clearing System (the “**Relevant Clearing System**”).

Transfers of book-entry interests in the Notes within the Relevant Clearing Systems will be effected through the records of each Relevant Clearing System and their respective participants in accordance with the rules and procedures of the Relevant Clearing System and their respective direct and indirect participants.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

- (ii) upon or following any Default (as defined in Condition 8) (which relates to a failure to pay principal in respect of any Notes),

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the Notes represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

### **Calculation of Interest**

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the aggregate principal amount of the Notes represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5.

### **Payments**

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which (notwithstanding Condition 7) shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

### **Cancellation**

Cancellation of any Notes represented by the Global Certificate following their redemption, purchase and cancellation or the substitution thereof for Compliant Securities will be effected by reduction in the aggregate principal amount of the Notes in the Register of Holders, and a corresponding reduction in the principal amount of Notes represented by the Global Certificate will be made accordingly.

### **Notices**

For so long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System, notices may be given to the Holders by delivery of the relevant notice to Euroclear, and/or Clearstream, Luxembourg and/or an Alternative Clearing System (as the case may be) for communication to their respective accountholders in substitution for publication as required by the Conditions provided that 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 Notes are for the time being listed. Any notice shall be deemed to have been given on the date of delivery or publication which, in the case of communication through Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System, shall mean the date on which the notice is delivered to Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System.

### **Prescription**

Claims against the Issuer in respect of any amounts payable in respect of the Notes represented by the Global Certificate will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the due date.

## **Written Resolution and Electronic Consent**

For so long as the Notes are in the form of a Global Certificate registered in the name of any nominee for one or more of Euroclear and Clearstream, Luxembourg or another clearing system, then, in respect of any resolution proposed by the Issuer or the Trustee:

- (i) where the terms of the proposed resolution have been notified to the Holders through the Relevant Clearing System(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the Relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes outstanding (“**Electronic Consent**”). Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the Relevant Clearing System and, in the case of (b) above, the Relevant Clearing System and the accountholder identified by the Relevant Clearing System for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction subsequently proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the Relevant Clearing System (including Euroclear’s EasyWay or Clearstream, Luxembourg’s Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **Euroclear and Clearstream, Luxembourg**

References in the Global Certificate and this summary to Euroclear and Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved for the purposes of the Notes by the Trustee and the Registrar.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used for the general business purposes of the Issuer, which may include funding repurchases and/or redemptions, in whole or in part, of the Issuer's existing £25,000,000 6.75 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (ISIN: XS1854025415) and/or its £25,000,000 6.75 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (ISIN: XS1881799834), and to strengthen the capital base of the Issuer.



## DESCRIPTION OF ISSUER

### OVERVIEW

Secure Trust Bank PLC is an established UK retail bank. The Group's strategy is to generate growth and attractive returns in specialist lending segments within consumer and business markets, with a prudent approach to underwriting and to capital and liquidity. The Group intends to continue growing its business through responsible lending across its lending divisions, primarily funded by customer deposits. The Group continually monitors and manages its portfolio of assets in line with its risk appetite.

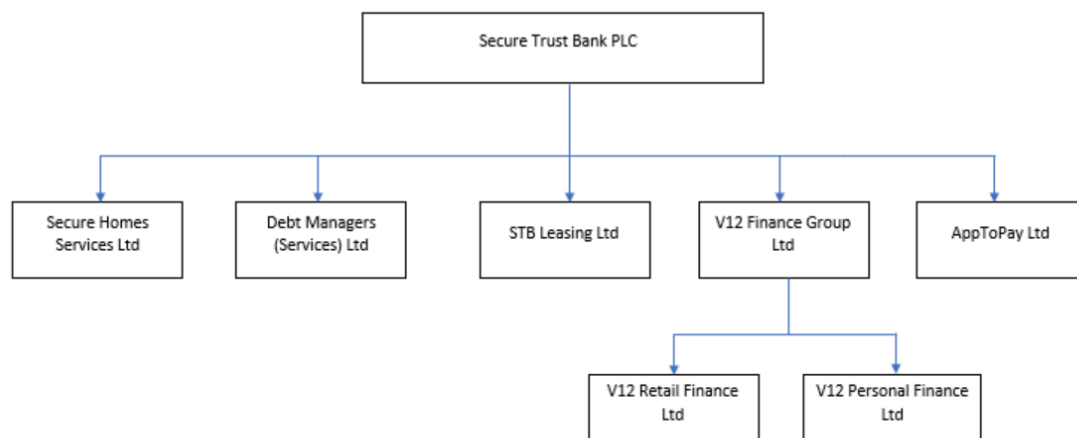
The Group's diversified lending portfolio focuses on Business Finance and Consumer Finance. The Group operates principally from its head office in Birmingham, West Midlands.

### HISTORY AND ACQUISITIONS

#### Corporate and ownership history

The Issuer was incorporated in England and Wales in 1954, with registration number: 00541132. Shares in the Issuer were admitted to trading on the Alternative Investment Market of the London Stock Exchange in November 2011 and, in October 2016, the shares were listed on the premium segment of the Main Market of the London Stock Exchange.

The Issuer is the parent company of the Group. The Group's current corporate structure is set out below.



### COMPETITIVE STRENGTHS AND STRATEGY

The Group operates in a very competitive market, although the Group believes it has the following strengths in the UK banking market:

- Specialist: focus on attractive returns in its core markets.
- Expert: strong market expertise, relationships and digital capabilities.
- Diverse: diverse portfolios in consumer and business lending.
- Ambitious: clear opportunities for growth and strategy for long term value creation.

The Group's key strategic priorities are to: (i) deliver organic growth in the Group's specialist lending businesses across a diverse portfolio of market segments; (ii) exploit digital capabilities and drive cost efficiency as the Group builds scale; (iii) optimise the Group's capital and liquidity strategies; (iv) target attractive returns in the medium term; and (v) pursue M&A opportunities that support the Group's strategic objectives.

## **BUSINESS AND ACTIVITIES**

### **Introduction**

The Group has a diversified lending portfolio and focuses on two key sectors: (i) Business Finance through its Real Estate Finance and Commercial Finance divisions; and (ii) Consumer Finance through its Retail Finance and Vehicle Finance divisions.

A detailed description of the Group's operating divisions is set out below.

### **Business Finance**

#### ***Real Estate Finance***

Real Estate Finance was formed as a division within the Group in 2014. The division supports SMEs through the provision of secured finance, principally for residential investment and residential development:

- Residential investment  
The Group lends on portfolios of residential property where the rental income will repay the underlying borrowing over a term period. This excludes the regulated buy to let mortgage sector.
- Residential development  
The Group lends to enable the development of new build property, commercial to residential conversions (including those with permitted development rights) and refurbishment projects.

The Group has some appetite for commercial lending (either development or investment) and has limited exposure to mixed development schemes.

#### ***Commercial Finance***

Commercial Finance was also formed as a division within the Group in 2014. The division specialises in providing a full range of asset based secured lending solutions to UK businesses, with a primary focus on the delivery of invoice discounting facilities. These services provide SMEs with access to working capital solutions which can be tailored to meet their needs.

The division has built a strong team of proven business development, credit and operational professionals who have delivered a robust and compliant operational model. The business operates from premises in Manchester, Leeds, Birmingham and London but provides national coverage via teams located throughout the country who service the national introducer market and existing clients.

### **Consumer Finance**

#### ***Retail Finance***

The Group's Retail Finance business provides unsecured, prime lending products to the UK customers of its retail partners to facilitate the purchase of a wide range of consumer products across in-store, mail order and online channels. This lending is done by the Issuer and arranged and serviced by V12 Retail Finance, which was acquired in 2013 and has provided finance in cooperation with its retail partners for more than 30 years. The V12 point of sale system is used by the Group's retail partners. The Retail Finance business is based in V12 Retail Finance's office in Cardiff.

Retail Finance products are unsecured, interest free or fixed rate and fixed term loans of up to 84 months in duration with a standard maximum loan size of £25,000. The average new loan for interest free credit is for around £1,000 over an average 24-month term and for interest bearing credit is around £1,250 over an average term of 28 months. Lending is restricted to UK residents who have a good credit history and can demonstrate that they can afford to repay the loan.

The finance products are either interest bearing or have promotional credit subsidised by retailers, allowing customers to spread the cost of purchases into more affordable monthly payments.

The Group operates an online eCommerce service to retailers, providing finance through an online paperless processing technology platform to customers buying goods online or in store. This includes allowing customers to sign digitally their credit agreements, thereby speeding up the pay-out process, and removing the need to handle and copy sensitive personal documents through electronic identity verification.

The 2022 acquisition of AppToPay Limited and its digital technology supports the intended launch of a new Retail Finance product in 2023 which will promote additional lending in the new digital “Buy Now, Pay Later” markets using mobile application-based technology. The AppToPay product will provide funding for lower value purchases with shorter pay back periods.

The Group serves retailers and other partners across a broad range of sectors including furniture, jewellery, cycle, gym equipment, dental, music, art, home improvements, football season tickets and electrical.

### ***Vehicle Finance***

The Group’s Vehicle Finance business began lending in 2008 under the Moneyway brand providing near prime hire purchase lending products for used vehicles. In 2021, Vehicle Finance expanded its product offering into the prime customer market under the V12 brand, initially through hire purchase lending with personal contract purchase products following in 2022. Vehicle Finance lending agreements are secured against the vehicle being financed. The majority of vehicles financed are used cars sold by independent dealers.

Vehicle Finance launched used vehicle stock funding under the V12 Vehicle Finance brand in 2019, whereby funds are advanced and secured against dealer forecourt stock; sourced from auctions, part exchanges or trade sources.

Finance is provided via technology platforms allowing Vehicle Finance to receive applications online from its introducers; provide an automated decision; facilitate document production through to pay-out to dealer; and manage in-life loan accounts.

Vehicle Finance lending is administered in the Group head office in Birmingham; however, the UK vehicle dealers and brokers are UK-wide.

### **Subletting**

#### ***Secure Homes Services Limited***

The principal activity of Secure Homes Services Limited is the subletting of freehold premises, through an open market rental, to its immediate parent company, the Issuer.

### **Other**

The Group’s Asset Finance and Consumer Mortgages loan books were sold in 2021 and its loan portfolio within DMS and STB Leasing Limited (“**STB Leasing**”) was sold in 2022 and are accounted for as discontinued businesses.

## ***DMS***

Through DMS, the Group provided debt collection services to businesses dealing with consumers across a range of sectors including financial services, retail, utilities, public sector and vehicle finance. In addition to providing collection services to third parties it also purchased debt portfolios. In March 2022 the Group announced its exit from the debt purchase market. In May 2022 DMS sold its loan portfolio to Intrum UK Finance Limited and completed the migration of customers under this portfolio in November 2022. Under the terms of the loan portfolio sale contract, the Group received £81.9 million for the loan book of £71.8 million. Direct and indirect costs incurred in relation to the sale to 30 June 2022 amount to £2.0 million. An initial profit on disposals of loan portfolios of £8.1 million was recorded in the six-month period ended 30 June 2022, with further costs incurred in 2022, and expected to be incurred in 2023, as DMS winds down its legacy activities.

## ***STB Leasing Limited***

The principal activity of STB Leasing was the funding and operation of finance leases through a disclosed agency agreement with RentSmart Limited. STB Leasing's loan book of £1,206,000 was sold to RentSmart Limited on 31 January 2022 for consideration of £1,192,000. After the sale, STB Leasing ceased to trade.

## **SAVINGS**

### **Deposit accounts**

The Group's retail savings consist (for the most part) of online application only: fixed term bonds, notice accounts, ISAs and access accounts, which are available to individuals.

Accounts are simple in design. The key terms of accounts that are usually offered from time to time are summarised below:

- Mixture of products ranging from 60 to 180-day notice periods and one to seven-year fixed term savings.
- Minimum balance of £1,000.
- Maximum balance of £1 million for each individual account holder.
- Annual interest on fixed term accounts, quarterly on notice accounts, with the option to capitalise onto the existing account or pay away for income.

By virtue of the absence of a branch network, a policy of not cross-subsidising loss-making products with profitable ones and an operational model based on digital self-service, the Group is able to offer competitive rates and has been successful in attracting high volumes of deposits, particularly in short timescales, from a wide range of customers. This provides a funding profile which gives additional financial security to the business.

The Group enters the market for deposits as and when it is necessary. The Group maintains a funding strategy of broadly matching the term and tenor of its customer savings to the maturity profiles of the Group's lending balances, which are primarily determined by the interest rates and terms offered on loans and advances to customers. This strategy seeks to help mitigate maturity transformation risk and interest basis risks.

The Group is able to offer competitive deposit interest rates and has been successful in attracting term deposits from a wide range of customers. The methods employed by the Group for attracting such deposits include providing information about the deposit accounts offered by the Group on price comparison websites (such as Moneysupermarket) as well as best buy tables and newspaper articles.

Should the Group fail, the Financial Services Compensation Scheme will provide automatic compensation (subject to eligibility) for lost deposits of up to £85,000 per eligible person holding a deposit with the Group.

## **Wholesale and interbank markets**

While the Group is largely funded by customer deposits, with additional funding being provided through the issuance of the Notes and £390m of funds drawn under the Bank of England Term Funding Scheme with additional incentives for SMEs (“TFSME”), and whilst the Group expects to remain a predominantly deposit funded business, in the near to medium term, it would consider whether alternative sources of funding, such as entry into the wholesale markets or securitisation, might represent viable alternative sources of funding.

## **CREDIT RISK MANAGEMENT**

### **Credit underwriting policies/procedures by product**

#### ***Business Finance***

Real Estate Finance and Commercial Finance new business applications are evaluated and underwritten individually on a manual basis assessing the financial strength and historic track record of the company as well as the relative strength of any assets or proposed developments. Deals are subject to a formal Credit Committee approval process. Underwriting mandates and credit sanctioning authorities are approved at the Group’s Board Risk Committee and reviewed on a regular basis.

The Group has a largely automated underwriting processes for its Vehicle Finance and Retail Finance businesses. The underwriting policies and procedures for each of the core lending products are detailed below. The Group is a member of a reciprocal fraud intelligence scheme (“CIFAS”), a database used by financial institutions to share information relating to fraud.

Following a successful application and underwriting process, the appropriate documentation is sent to the payout team to complete the settlement process. The payout process requires authorisation in addition to the requirement to complete a series of validation checks to ensure all information has been received prior to payout.

Portfolio performance is monitored on a regular basis by several committees. The monthly financial management accounts provide the Board and Executive Committee with portfolio performance data by lending product.

#### ***Vehicle Finance***

All Vehicle Finance applications are credit scored using a bespoke scorecard based on the applicant’s historical payment performance on credit reference agency reported credit commitments, a quantitative assessment of the applicant’s ability to repay the loan from an affordability perspective and vehicle characteristics including loan to value, vehicle age, vehicle mileage and engine size. The vehicle being financed must also pass a hire purchase vehicle history check (a “HPI Check”) which is obtained by the Group. A HPI Check is intended to identify where another finance provider already has an interest in the vehicle. Pricing is determined by the risk tier with strict underwriting criteria followed. In certain circumstances, additional identity and validation checks are performed as part of the underwriting process.

The Vehicle Finance application process is paperless, other than the receipt of agreement documentation, and is largely automated with system-driven credit, identification and vehicle checks.

#### ***Retail Finance***

Retail point of sale finance loan applications are received from retailers either through an in-store or online application process utilising the Group’s internet portal. The vast majority of lending decisions are automated through a combination of the Group’s proprietary decision engine, a customer scorecard provided by Decision Metrics and credit and indebtedness data supplied by a credit reference agency.

If the application is accepted the customer's signature and all required documentation are obtained electronically from the retailer and stored by the Group. Like Vehicle Finance, the process is paperless, other than the receipt of agreement documentation, and is largely automated.

### **Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. A formal Credit Risk Policy has been agreed by the Board whilst credit risk is monitored on a monthly basis by the Credit Risk Committees which review performance of key portfolios including new business volumes, collections performance, provisioning levels and provisioning methodology. A credit risk team within the Group monitors adherence to the Credit Risk Policy, implements risk tools to manage credit risk and evaluates business opportunities and the risks and opportunities they present to the Group whilst ensuring the performance of the Group's existing portfolios is in line with expectations. Please see Note 38 to the consolidated financial statements in the 2021 Annual Report for further details and Note 20 to the consolidated financial statements in the 2022 Interim Report.

### **Collections, arrears management and recoveries**

The Group has two dedicated collections departments responsible for arrears management across its consumer lending portfolios, one responsible for the collection of vehicle finance debt, and a further team dedicated to the collection of retail finance debt. The recovery of consumer debt is the responsibility of each individual division.

Collections procedures are required to adhere to the FCA's Consumer Credit Rules. The Group's policy is for all calls to be recorded with at least three calls per collector per month being subject to audit checks. All arrangements relating to loan arrears made with customers are tracked.

## **CAPITAL**

In accordance with UK CRD V and UK CRR, the Group's Internal Capital Adequacy Assessment Process ("ICAAP") is embedded in the risk management framework of the Group. The ICAAP is subject to ongoing updates and revisions where necessary, but as a minimum an annual review is undertaken as part of the business planning process. The ICAAP brings together the risk management framework, including stress testing using a range of scenarios, and the financial disciplines of business planning and capital management.

The Board applies the PRA Pillar 2A capital mandatory firm-specific capital add-on methodology to determine the level of capital that needs to be held. This method takes the Pillar 1 capital formula calculations (for credit, market and operational risk) as a starting point and then considers whether each of these calculations delivers an adequate capital sum to cover all anticipated risks. Where the PRA and Board consider that the Pillar 1 calculations do not adequately reflect the risks to which the Group is exposed, additional Pillar 2A capital and/or Pillar 2B capital is held.

As of the date of these Admission Particulars, the Group's regulatory capital is made up of Common Equity Tier 1 and Tier 2 Capital. Common Equity Tier 1 comprises shareholders' funds, after deducting intangible assets and deferred tax assets which have arisen due to losses; and IFRS 9 expected credit losses transitional provisions and the COVID-19 pandemic related "quick-fix". Tier 2 capital currently comprises two fixed rate reset callable subordinated note instruments due 2028 of £25m each, one instrument having a first optional call date in July 2023 (the "**July 2023 Securities**") and the other having a first optional call date in October 2023 (the "**October 2023 Securities**", and together with the July 2023 Securities, the "**Existing Securities**"). The Issuer expects to repurchase and cancel the October 2023 Securities in their entirety on or about the Issue Date. If the July 2023 Securities are not called on the optional call date (being 17 July 2023) or otherwise repurchased and cancelled by the Issuer prior to such date (where such repurchase could occur as soon as the Issue Date as

part of the Issuer’s strategy to actively manage the July 2023 Securities in light of the issuance of the Notes) the July 2023 Securities will remain outstanding, and the coupon will reset to a margin of 5.734 per cent. over the Benchmark Gilt (as defined in the conditions of the July 2023 Securities). Additionally, following the optional call date the eligibility of the July 2023 Securities as Tier 2 Capital will reduce on a straight-line basis to maturity. As set out in the section titled “Use of Proceeds” above, the net proceeds of the issue of the Notes may be used, in whole or in part, to fund the repurchase and/or redemption of the Existing Securities. Pursuant to the issuance of the Notes as contemplated in these Admission Particulars, the Group’s regulatory capital on the Issue Date will (if the repurchase and cancellation of the October 2023 Securities occurs on the Issue Date) include £115,000,000 of Tier 2 capital (or, if the repurchase and cancellation of the July 2023 Securities also occurs on the Issue Date, £90,000,000 of Tier 2 capital).

The ICAAP includes a summary of the capital required to mitigate the identified risks in its regulated entities and the amount of capital that the Group has available. All regulated entities within the Group have complied during the financial year with all of the externally imposed capital requirements to which they are subject.

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group’s on and off-balance sheet exposures. The weightings applied are those stipulated in UK CRR.

The Group has received a waiver from the PRA to report its capital on a solo-consolidated basis. The solo-consolidated group includes all entities where a solo consolidation waiver has been received from the PRA; this excludes AppToPay Limited. The Group also reports its capital on an Issuer Group basis.

The increase in Common Equity Tier 1 capital during the year ended 31 December 2021 was driven by retained profit offset by a decrease in IFRS 9 expected credit losses transitional provisions. An analysis of Common Equity Tier 1 capital can be found at Note 41 in the consolidated financial statements in the 2021 Annual Report and Note 21 to the consolidated financial statements in the 2022 Interim Report.

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>	<b>2020</b>
			<b>(Restated)</b>
	<i>(£ million)</i>		
<b>Capital</b>			
Total Common Equity Tier 1 capital .....	313.8	303.6	280.8
Total eligible Tier 2 capital .....	49.8	47.0	45.1
Total capital .....	363.6	350.6	325.9
Total Risk Exposure (“ <b>TRE</b> ”).....	2,237.1	2,087.4	1,999.7
		<i>(per cent.)</i>	
<b>UK CRD IV ratios</b>			
Common Equity Tier 1 capital (Group consolidated).....	14.0	14.5	14.0
Total Capital Ratio	16.3	16.8	16.3
Leverage Ratio <sup>1</sup> .....	10.6	10.3	10.3

<sup>1</sup> Leverage ratio figures exclude central bank reserves.

TRE increased by 4.4 per cent. to £2,087.4 million during the year ended 31 December 2021, reflecting growth in the Commercial Finance and Retail Finance divisions. As at 30 June 2022, TRE was £2,237.1 million as compared to £2,065.0 million as at 30 June 2021, an increase of 8.3 per cent., which was a reflection of the growth in the Commercial Finance and Consumer Finance divisions over this period

The Common Equity Tier 1 capital ratio is the ratio of Common Equity Tier 1 divided by the TRE and was 14.5 per cent. at 31 December 2021 compared to 14.0 per cent. at 31 December 2020, reflecting growth in the Group's customer lending balances. The Common Equity Tier 1 capital ratio was 14.0 per cent. as at 30 June 2022 compared to 14.2 per cent. as at 30 June 2021.

## **LIQUIDITY**

### **Funding**

The Group manages its liquidity on a conservative basis by holding high quality liquid assets and utilising predominantly retail funding from customer deposits. In December 2012, the Issuer was admitted as a participant in the Bank of England's Sterling Money Market Operations under the Sterling Monetary Framework, to participate in the Discount Window Facility. The Group currently has £390m drawings from the TFSME.

From July 2013, the Group was permitted to draw down facilities under the Funding for Lending Scheme ("FLS"). FLS monies were maintained as a liquidity buffer, above that required to support lending. During 2017, these borrowings were repaid by the Group, and exposure to the Funding for Lending Scheme ended. Subsequently, funds were redrawn for a similar purpose under the new less expensive Term Funding Scheme ("TFS"). In 2021, the Group repaid amounts owing under the TFS and funds were drawn under the new TFSME with an original maturity of 4 years.

### **Liquidity management**

The Group is regulated under UK CRR and is authorised by the PRA and regulated by the FCA.

The Group has a formal governance structure in place to manage and mitigate liquidity risk on a day-to-day basis. The Board sets and approves the Group's liquidity risk management strategy. The Asset and Liability Committee ("ALCo"), comprising senior executives of the Group, monitors liquidity risk. The ALCo meets monthly to review liquidity risk against set thresholds and risk indicators including early warning indicators, liquidity risk tolerance levels and Internal Liquidity Adequacy Assessment Process ("ILAAP") metrics. Key liquidity risk management information is reported by the Treasury team to senior management, including the Chief Executive Officer and Chief Financial Officer, on a daily basis.

As an authorised UK banking institution, the Group has agreed a liquidity risk appetite to ensure that adequate liquidity resources are held to meet its overall liquidity adequacy requirements ("OLAR") and to meet the minimum Liquidity Coverage Ratio ("LCR"). The Board routinely reviews a liquidity policy that satisfies the regulator's requirements and, amongst other things, the systems and controls in place for liquidity management.

Liquidity is measured at a solo company level as per the regulator's requirements, including the preparation of an ILAAP. The ILAAP is updated annually and forms an integral part of the Group's five year planning and budgeting process.

The Group uses various measures to manage liquidity. These include:

- The OLAR, which is the Board's view of the Group's liquidity needs as set out in the Board approved ILAAP.



- The LCR, which is a regulatory measure that assesses net 30-day cash outflows as a proportion of High Quality Liquid Assets (“HQLA”).
- A minimum total funding to loan ratio.
- HQLA are held in the Bank of England Reserve Account and UK Treasury Bills. For LCR purposes the HQLA excludes UK Treasury Bills which are encumbered to provide collateral as part of the Group’s TFSME drawings with the Bank of England.

At 31 December 2021 and throughout the year, the Group had significant surplus liquidity over the minimum requirements due to its stock of high quality liquid assets. At 31 December 2021, total liquid assets increased by 30.5 per cent. from £232.1 million (at 31 December 2020) to £303.0 million, with the high quality liquid assets balance being £259.0 million. As at 30 June 2022, total liquid assets increased by 11.7 per cent. to £338.3 million from the 31 December 2021 position, with the high quality liquid assets balance of £285.6 million representing a proportional decrease from 85.5 per cent. (as at 31 December 2021) to 84.4 per cent. of total liquid assets (as at 30 June 2022).

The Group invests its surplus funds principally in UK Government securities and deposits (which are deposited at the Bank of England). As at 31 December 2021 £234.0 million was deposited with the Bank of England account. As at 30 June 2022, £250.7 million was deposited with the Bank of England and £34.9 million was invested in UK Treasury Bills.

The Group has no liquid asset exposures outside of the United Kingdom and no amounts that are either past due or impaired.

The LCR, introduced by the Basel Committee on Banking Supervision in 2013, applied to the Group from 1 October 2015. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks, by ensuring that they have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario.

The minimum LCR requirement that applies in the UK is 100 per cent.

The Group held liquidity which allowed it to exceed its OLAR and LCR requirements throughout the year.

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>	<b>2020</b>
		<i>(unaudited)</i>	
		<i>(£ million)</i>	
<b>Liquid Assets</b>			
Aaa—Aa3 .....	285.6	259.0	180.5
A1—A3 .....	47.6	38.9	46.5
Unrated .....	5.1	5.1	5.1
	<b>338.3</b>	<b>303.0</b>	<b>232.1</b>

## Interest rate risk management

Interest rate risk is the potential adverse impact on the Issuer and Group's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of the Issuer's and Group's assets and liabilities. In particular, fixed rate savings and borrowing products expose the Group to the risk that a change in interest rates could cause either a reduction in interest income or an increase in interest expense relative to variable rate interest flows. Offsetting fixed rate assets and liabilities are matched where possible and residual positions are hedged using interest rate derivatives to ensure the Group's interest rate risk exposures remain in accordance with risk appetite limits set by the Board.

## Leverage

CRD IV introduced a non-risk-based leverage ratio that is supplementary to the risk-based capital requirements. The calculation determines a ratio based on the relationship between Tier 1 capital and total exposures, including off-balance sheet items. The leverage ratio does not distinguish between unsecured and secured loans, nor recognise the ratio of loan to value of secured lending.

The PRA has implemented the Financial Policy Committee direction to introduce a UK Leverage Ratio Framework, as set out in PS21/21, for firms with retail deposits in excess of £50 billion or foreign assets equal or greater to £10 billion on an individual basis. This also increased the minimum expectation to 3.25 per cent. from 1 January 2022 for firms not subject to the UK Leverage Ratio Framework. Whilst the Group remains outside the scope of the UK Leverage Ratio Framework, it adheres to the supervisory expectations in a similar manner to those falling within the scope.

## OTHER

### Net revenue margin

The Group's net revenue margins for its main operating segments for the years ended 31 December 2021 and 31 December 2020, and the six months ended 30 June 2021 and 30 June 2022 were:

	As at 30 June		As at 31 December	
	2022	2021	2021	2020
	<i>Net revenue margin (per cent.)</i>			
Real Estate Finance.....	2.7	3.0	3.0	3.0
Commercial Finance .....	5.9	5.4	5.7	5.5
Retail Finance .....	7.6	8.8	8.5	9.0
Vehicle Finance .....	13.0	13.9	13.5	13.0

### Net interest margin

The Group's net interest margins for the years ended 31 December 2020 and 31 December 2021, and the six months ended 30 June 2021 and 30 June 2022 were:

	As at 30 June		As at 31 December	
	2022	2021	2021	2020
		<i>(per cent.)</i>		
Net interest margin .....	5.7	6.0	6.4	6.3

### Risk-Weighted Assets

The Group’s total Risk-Weighted Assets for the years ended 31 December 2020 and 31 December 2021, and the six months ended 30 June 2021 and 30 June 2022 were:

	As at 30 June		As at 31 December	
	2022	2021	2021	2020
		<i>(per cent.)</i>		
Risk-Weighted Assets...	2,237.1	2,065.0	2,087.4	1,999.7

### Average Lending Balances

The Group’s average lending balances by division for the six months to 30 June 2022 and for the year ended 31 December 2021 were:

	Retail Finance	Vehicle Finance	Real Estate Finance	Commercial Finance
		<i>(£ million)</i>		
For the six months to 30 June 2022	819	296	1,118	352
For the year ended 31 December 2021	693	246	1,045	260
		<i>(per cent.)</i>		
Percentage change	18	20	7	36

### COMPETITION

The UK retail and SME finance markets in which the Group operates are competitive, with competition appearing in the form of more established, systemically important banks and more recent entrants to the market. In July 2021 and October 2021, the PRA published a policy statement and confirmation (respectively), setting out its planned implementation of certain Basel III standards, including the net stable funding ratio, the new counterparty credit risk standard and rules on large exposures. As part of this policy statement, the PRA also confirmed that it would maintain its approach of requiring the deduction of software assets from capital. The policy statement, and implementation of the relevant Basel III standards, came into effect on 1 January 2022. As described under ‘Recent legislative and regulatory changes and future legislative and regulatory changes’ in the section titled “Risk Factors” above, the PRA is consulting on implementing Basel 3.1 and a ‘Strong and Simple’ framework, the outcome of which could be that the substantial capital advantages enjoyed by the systemic banks in certain lending classes will be largely removed as a result of such changes, thereby creating a generally more competitive banking environment.

## RECENT DEVELOPMENTS

### APPTOPAY LIMITED ACQUISITION

In May 2022, the Group received approval from the FCA to complete the purchase of AppToPay Limited for £1 million, with the potential for additional ‘earn-out’ consideration of £0.2 million payable in 2023. This technology will enable Retail Finance to offer a new regulated digital ‘Buy Now Pay Later’ product which applies affordability assessments and appropriate consumer protections.

### Q4 2022 UPDATE

The Group announced on 19 January 2023 its pre-close trading update for the fourth quarter ended 31 December 2022 (“Q4 2022”).

Net lending continued to grow in Q4 2022 with Group management taking action to manage a lower rate of lending growth, proactively tightening credit criteria to reflect macroeconomic uncertainty and manage the overall risk profile of the lending book. At 31 December 2022, arrears in the Retail Finance division remained below pre-COVID-19 pandemic levels and arrears in the Vehicle Finance division were in line with pre-COVID-19 pandemic levels.

	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>	<b>Change</b>	<b>30 Sept 2022</b>	<b>Change</b>
	<i>Unaudited</i>			<i>Unaudited</i>	
	<i>(£ million)</i>		<i>(per cent.)</i>	<i>(£ million)</i>	<i>(per cent.)</i>
Net Lending -					
Core	2,919.6	2,451.0	19.1	2,813.4	3.8
New Business					
Lending	444.6	470.2	(5.4)	502.1	(11.4)
Deposits	2,514.6	2,103.2	19.6	2,349.2	7.0

### Net Lending – Core

The core net loan book grew by 19.1 per cent. as at 31 December 2022 compared to 31 December 2021 and by 3.8 per cent. compared to 30 September 2022. Year-on-year growth was particularly strong in the Consumer Finance division. Growth in the Business Finance division was more modest. The Real Estate Finance division loan book grew marginally, having been somewhat impacted by the sharp increase in interest rates. As at 31 December 2022, loan to value is below 60 per cent. across the Real Estate Finance division loan book.

### New Business Lending

Total new business lending remained healthy year-on-year with market share gains across the Group’s consumer businesses, reflecting a recovery from the COVID-19 pandemic and continued investment in the Group’s customer experience. Given the current macroeconomic environment, the Group took a proactive approach to tighten credit criteria, as reflected in the reduction of new business lending by 11.4 per cent. compared to 30 September 2022.

### Deposits

Customer deposits were 7 per cent. higher at 31 December 2022 compared to 30 September 2022 to support the growth in the loan book. The Group continues to focus on (i) the management of funding costs in a rising

interest rate environment and (ii) the preservation of net interest margin. The net interest margin for the second half of 2022 was in line with the 5.7 per cent. for the first half of 2022.

## **DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE**

### **DIRECTORS**

The Issuer's Directors are:

<b>Name</b>	<b>Position</b>	<b>Other Directorships / Appointments</b>
Lord Forsyth	Chairman	Director of J&J Denholm Limited and of Denholm Logistics Limited and Chairman of the Association of Conservative Peers
Paul Myers	Non-Executive Director and Chair of Risk Committee	Director of Ashman Bank Limited
Ann Beresford	Senior Independent Director and Chair of Audit Committee	Director of Albion Venture Capital Trust PLC
Finlay Williamson	Non-Executive Director and Consumer Duty Champion	Director of Hampden & Co PLC
David McCreadie	Chief Executive Officer	None
Rachel Lawrence	Chief Financial Officer	None
Victoria Stewart	Non-Executive Director and Chair of Remuneration Committee	Member of the Institute of Chartered Accountants in England and Wales Corporate Governance and Investment Committee Director of Aberforth Smaller Companies Trust plc, Artemis Alpha Trust plc and JP Morgan Claverhouse Investment Trust plc

The business address of each of the Directors is Secure Trust Bank PLC, One Arleston Way, Shirley, Solihull, West Midlands B90 4LH.

There are no potential conflicts of interest between the duties to the Issuer of each of the Issuer's directors listed above and his/her private interests and/or other duties.

### **SENIOR MANAGEMENT**

In addition to the executive management appointed to the Board of the Issuer, the following senior managers are considered relevant to establishing that the Issuer has the appropriate expertise and experience for the management of its business:

<b>Name</b>	<b>Position</b>
Chris Harper	Chief Risk Officer

Katie Docherty	Chief Operating Officer
John Bevan	Managing Director, Commercial Finance
Geoff Ray	Managing Director, Real Estate Finance
Anne McKenning	HR Director
Adrian Walters	Chief Internal Auditor
Nick Davies	Chief Executive Officer, V12 Retail Finance
Julian Hartley	Managing Director (Designate), Vehicle Finance and Savings
Charles Mayo	General Counsel
Mark Stevens	Company Secretary
Judy Wilkinson	Chief Compliance Officer
Faye Comerford	Money Laundering Reporting Officer (MLRO)
Phil Deakin	Finance Director, Group and Corporate Development
Peter Carroll	Group Treasurer

## **BOARD COMMITTEES**

The Board has established Nomination, Remuneration, Audit and Risk Committees, each with formally delegated duties and responsibilities and with written terms of reference. From time to time, other committees may be set up by the Board to consider specific issues when the need arises.

### **Nomination Committee**

The Nomination Committee assists the Board in discharging its responsibilities relating to the structure, size and composition of the Board. The Nomination Committee is responsible for, amongst other matters, evaluating the balance of skills, knowledge, independence, experience and diversity of the Board, and makes recommendations to the Board on such matters. The Nomination Committee also considers succession planning, both for the Executive and Non-Executive Directors, overseeing the development of a diverse pipeline for succession and taking into account the skills and expertise that will be needed on the Board in the future.

### **Remuneration Committee**

The Remuneration Committee has delegated responsibility from the Board (subject to any directions from time to time given to the Committee by the Board) for the determination of the terms and conditions of employment and for setting the remuneration and benefits, including pension rights, of each of the Executive Directors, members of the Executive Committee, the Company Secretary and other material risk takers and, should the Committee so wish, for reviewing and making recommendations regarding the terms and conditions of employment, remuneration and benefits, including pension rights, of other employees of the Group.

### **Audit Committee**

The Audit Committee assists the Board in, amongst other matters, discharging its responsibilities for regulatory reporting, financial reporting, including reviewing the Issuer's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors and reviewing the effectiveness of the Issuer's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly report remains with the Board. The Board reviews the Annual Report, to satisfy itself that taken as a whole it is fair, balanced and understandable

and provides the information necessary for shareholders to assess the Issuer's position, performance, business model and strategy.

### **Risk Committee**

The Risk Committee reviews the design and implementation of risk management policies and risk related strategies and the procedures for monitoring the adequacy and effectiveness of this process; considers the Group's risk appetite in relation to the current and future strategy of the Group; oversees the Group's ICAAP and ILAAP and outputs from these; and oversees the risk exposures of the Group. The ALCo and the Assumptions Committee both report to the Risk Committee. The ALCo is a sub-committee of the Risk Committee and is responsible for implementing and controlling the liquidity and asset and liability management risk appetite of the Group, ensuring high level control over the Group's balance sheet and associated risks. The Risk Committee sets and controls capital deployment, treasury strategy guidelines and limits and focuses on the effects of future plans and strategy on the Group's assets and liabilities. The Assumptions Committee reviews and challenges assumptions used in various areas including the ICAAP and ILAAP. The Assumptions Committee is a sub-committee of the ALCo and reports to the Risk Committee via the ALCo. The Assumptions Committee has responsibilities for assumptions which, due to their use in a model, have a material impact on the Issuer's reporting and/or decision-making processes. These include macro-economic assumptions included in forecasting, ICAAP, ILAAP, expected credit loss calculations, funds transfer pricing, liquidity risk management and interest rate risk management.

The Risk Committee exercises its internal control and risk management role through the reports it receives from the ALCo, the Chief Risk Officer, the Chief Internal Auditor, the Chief Executive Officer, the Chief Financial Officer and its engagement with executive management, internal and external auditors and consultants.

Other matters within the remit of the Risk Committee are the risk profile of the Group, risk appetite, frameworks and limits, the risk management operating model, the technology infrastructure supporting the risk management framework, operational risk and regulatory and compliance matters.

### **EMPLOYEES**

The Group had a total of 951 full-time employees as at 30 June 2022. All of the Group's employees are based in the UK.

## TAXATION

### UNITED KINGDOM

The comments set out below are a general description of certain UK tax considerations relating to the Notes and are not intended to be exhaustive. They do not constitute legal or tax advice. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). They are based on current UK tax law in force as applied in England and Wales and the current published practice of HM Revenue & Customs (which may not be binding on HM Revenue & Customs), in each case, as at the latest practicable date before the date of these Admission Particulars, and each of which may change at any time, possibly with retrospective effect. They only relate to the position of persons who are the absolute beneficial owners of the Notes and who hold the Notes as investments. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Holders. Any Holders who are in doubt as to their own tax position should consult their professional advisers. In particular, Holders should be aware that the tax legislation of any jurisdiction where a Holder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

#### Interest on the Notes

The Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the “**Income Tax Act**”)) or admitted to trading on a “multilateral trading facility” operated by a UK, Gibraltar or EEA-regulated recognised stock exchange (within the meaning of section 987 of the Income Tax Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax. The Notes are expected to be admitted to trading on the ISM of the London Stock Exchange. The ISM of the London Stock Exchange is a multilateral trading facility operated by a UK, Gibraltar or EEA regulated recognised stock exchange for these purposes.

Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs under domestic law or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” which may prevail under any other law or which may be created by the Conditions or any related documentation.

### FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “foreign financial institution” (as defined by FATCA, and including an intermediary through which Notes are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The term “foreign passthru payment” is not yet defined. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with



respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date of publication of the final regulations defining “foreign passthru payments” in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Notes issued on or prior to the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, even if the Notes are otherwise so grandfathered, if additional Notes (as described under Condition 15) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event that any withholding were to be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person would be required to pay additional amounts as a result of the withholding.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or which may be implemented in a materially different form. Prospective Holders should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

## SUBSCRIPTION AND SALE

The Sole Bookrunner has, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 24 February 2023, agreed to subscribe or procure subscribers for the Notes at the issue price of 100.000 per cent. of their principal amount less commissions, subject to the provisions of the Subscription Agreement. The Issuer will also reimburse the Sole Bookrunner in respect of certain of its expenses, and has agreed to indemnify the Sole Bookrunner against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

### **Selling restrictions**

#### **United States**

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to persons other than U.S. persons as defined in Regulation S in offshore transactions in reliance on, and in compliance with, Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act.

The Sole Bookrunner has represented and agreed that it has offered and sold, and will offer and sell, the Notes: (a) as part of its distribution at any time; and (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S. Accordingly, neither the Sole Bookrunner nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes, and the Sole Bookrunner, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S. The Sole Bookrunner has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the restricted period a confirmation or notice to substantially the foregoing effect.

#### **United Kingdom**

The Sole Bookrunner has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

#### **Prohibition on Sales to EEA Retail Investors**

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

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

#### **Prohibition on Sales to UK Retail Investors**

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (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 IDD, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

#### **General**

No action has been taken by the Issuer or the Sole Bookrunner that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Sole Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, admission particulars, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance in all material respects with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

The Notes are not intended to be sold and should not be sold to retail clients in the EEA or in the UK. Prospective investors are referred to the section headed “*Prohibition on marketing and sales of the Notes to retail investors*” in these Admission Particulars for further information.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes was duly authorised by resolutions of the Board of Directors of the Issuer dated 29 July 2022 and of a committee of the Board of Directors of the Issuer dated 1 February 2023.

### Listing

2. Application has been made for the Notes to be admitted to trading on the ISM of the London Stock Exchange, with effect on or about the Issue Date.

### Clearing systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2582783481 and the Common Code is 258278348.
4. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### LEI

5. The Legal Entity Identifier (LEI) code of the Issuer is 213800CXIBLC2TMIGI76.

### No significant change

6. There has been no significant change in the financial or trading position of the Issuer and/or the Group since 30 June 2022 and there has been no material adverse change in the financial position or prospects of the Issuer and/or the Group, in each case since 31 December 2021.

### Litigation

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, in the 12 months preceding the date of these Admission Particulars, which may have, or have had in the recent past, a significant effect on the Issuer's ability to meet its obligations to Holders.

### Material Contracts

8. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer and/or the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders.

### Third Party Information

9. Where information in these Admission Particulars has been sourced from third parties, this information has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## **Auditors**

10. The Issuer's Financial Statements for the years ended 31 December 2020 and 2021 have been audited in accordance with the International Standards on Auditing (UK) and applicable law and have been reported on without qualification by Deloitte LLP. Deloitte LLP, whose registered office is at Four Brindley Place, Birmingham, B1 2HZ, United Kingdom, is a member of the Institute of Chartered Accountants in England and Wales and is the auditor appointed by the Issuer for the purposes of auditing its financial statements.

## **Documents available**

11. For so long as the Notes are listed on the ISM of the London Stock Exchange, copies of the following documents may be obtained (without charge) from the Issuer's website at [www.securetrustbank.com](http://www.securetrustbank.com):
  - the constitutional documents of the Issuer;
  - the Documents Incorporated by Reference; and
  - these Admission Particulars.

For so long as the Notes remain outstanding, a copy of these Admission Particulars may be obtained (without charge) from the Issuer's website at [www.securetrustbank.com](http://www.securetrustbank.com).

For the avoidance of doubt, save for the Documents Incorporated by Reference, the information on this website or any website directly or indirectly linked to this website has not been verified and is not incorporated by reference into these Admission Particulars and investors should not rely on it.

For so long as the Notes remain outstanding, copies of Trust Deed and Agency Agreement will be available as set out in the Conditions.

## **Sole Bookrunner transacting with the Issuer**

12. The Sole Bookrunner and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In the ordinary course of their business activities, the Sole Bookrunner and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Where the Sole Bookrunner or its affiliates have a lending relationship with the Issuer and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, the Sole Bookrunner and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Sole Bookrunner and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

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