



Close Brothers Group plc

(incorporated with limited liability in England and Wales with registered number 00520241)

<p style="text-align: center;">£200,000,000 Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities Issue price: 100 per cent.</p>

The £200,000,000 Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”) will be issued by Close Brothers Group plc (the “**Issuer**”) on or about 29 November 2023 (the “**Issue Date**”).

The Issuer may at any time and for any reason elect, in its sole and absolute discretion, to cancel any interest payment (in whole or in part) in connection with the Securities. The Securities (as defined below), which are perpetual and subordinated, are being offered to professional investors only. Investing in the Securities involves risks. Investors should not purchase the Securities in the primary or secondary markets unless they are professional investors and understand the risks involved. The Securities are not suitable for retail investors. Investors should have sufficient knowledge and expertise to evaluate the effect or the likelihood of the occurrence of a Trigger Event (as defined below) which would result in the conversion of the Securities into Ordinary Shares of the Issuer and which may result in investors losing all or part of their investment in the Securities. See the section headed “Risk Factors” beginning on page 13.

This Offering Circular does not constitute (i) a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”), (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 as amended or superseded (the “**EU Prospectus Regulation**”) or (iii) a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the domestic law in the United Kingdom (“**UK**”) by virtue of the European Union (Withdrawal) Act 2018, as amended (the “**EUWA**”) (the “**UK Prospectus Regulation**”).

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Securities to be admitted to trading on the International Securities Market (the “**ISM**”). The ISM is neither (i) a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (“**MiFID II**”) nor (ii) a UK regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of the domestic law in the UK by virtue of the EUWA (“**UK MiFIR**”).

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

The terms and conditions of the Securities are set out herein in “*Terms and Conditions of the Securities*” below (the “**Conditions**”, and references to a numbered “**Condition**” shall be construed accordingly).

The Securities will bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) 29 May 2029 (the “**First Reset Date**”), at a rate of 11.125 per cent. per annum, and thereafter at the applicable Reset Interest Rate from time to time, all as further provided in Condition 4. Subject to cancellation as provided below and in the Conditions, interest will be payable on the Securities semi-annually in arrear on 29 May and 29 November of each year (each an “**Interest Payment Date**”), commencing on 29 May 2024.

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

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

Subject as provided herein and to the Issuer having obtained Regulatory Approval (as defined herein) and complied with the Regulatory Preconditions (as defined herein), the Issuer may redeem all (but not some only) of the Securities: (i) on any day falling in the period commencing on (and including) 29 November 2028 and ending on (and including) the First Reset Date or on any Reset Date thereafter; (ii) at any time upon the occurrence of a Tax Event (as defined herein); or

(iii) at any time upon the occurrence of a Capital Disqualification Event (as defined herein), in each case at their principal amount plus any Accrued Interest (if any) and in the manner described herein.

If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, alternatively, elect at any time either substitute the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become, Compliant Securities (as defined herein), as further provided in Condition 6(f).

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

UK MiFIR professionals/ECPs-only/No UK/EU PRIIPs KID/FCA CoCo Restriction – Manufacturer target market under UK MiFIR is eligible counterparties and professional clients only (all distribution channels). No key information document (“KID”) under Regulation (EU) No 1286/2014 (the “**EU PRIIPs Regulation**”) or Regulation (EU) No 1286/2014 as it forms part of the domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) has been prepared as the Securities are not available to retail investors in the European Economic Area (“**EEA**”) or in the UK. In addition to the above, pursuant to the UK FCA Handbook Conduct of Business Sourcebook (“**COBS**”) the Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available in the UK to retail clients (as defined in COBS 3.4). Prospective investors are referred to the section headed “*Prohibition on Marketing and Sales to Retail Investors*” commencing on page vi.

The Securities and the Ordinary Shares into which they may convert have not been, and will not be, registered under the United States Securities Act 1933, as amended (the “**Securities Act**”). The Securities are being offered outside the United States by the Joint Lead Managers (as defined in “*Subscription and Sale*” below) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S) except pursuant to an exemption from the registration requirements of the Securities Act.

The Securities will be issued in registered form and available and transferable in minimum denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Securities 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**”). Individual certificates (“**Certificates**”) evidencing holdings of Securities will be available only in certain limited circumstances described under “*Summary of Provisions relating to the Securities whilst in Global Form*”.

Potential investors should read the whole of this document, in particular the section headed “*Risk Factors*” set out on pages 13 to 62 of this Offering Circular.

As at the date of this Offering Circular, the Issuer’s Long Term/Short Term ratings are A2 / P1 (stable outlook) by Moody’s Investors Service Limited (“**Moody’s**”) and A- / F2 (negative outlook) by Fitch Ratings Limited (“**Fitch**”). The Securities are expected, on issue, to be rated Baa2 by Moody’s. Each of Moody’s and Fitch is established in the UK and is registered under the Regulation 1060/2009/EC (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as it forms part of UK domestic law by virtue of the EUWA (“**UK CRA Regulation**”). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Capitalised terms used but not otherwise defined in this Offering Circular shall, unless the context requires otherwise, have the meaning given to them in the Conditions.

Joint Lead Managers

BofA Securities

J.P. Morgan

UBS Investment Bank

Structuring Agent

IMPORTANT INFORMATION

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

This document has been prepared on the basis that any offer of Securities in any member state of the EEA (each, a "**Relevant State**") or the UK will be made pursuant to an exemption under the EU Prospectus Regulation (as implemented in that Relevant State) and the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Relevant State or in the UK of Securities may only do so in circumstances in which no obligation arises for the Issuer or any of J.P. Morgan Securities plc, Merrill Lynch International and UBS AG London Branch (together, the "**Joint Lead Managers**") to publish a prospectus pursuant to the EU Prospectus Regulation, Part VI of the FSMA or UK Prospectus Regulation (as the case may be) in relation to such offer. Neither the Issuer nor any Joint Lead Manager has authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Joint Lead Manager to publish or supplement a prospectus for such offer.

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

None of the Joint Lead Managers, Citicorp Trustee Company Limited (the "**Trustee**"), the Principal Paying Agent, the Registrar, the Conversion Agent, the Transfer Agent and the Agent (together, the "**Agents**") or Conv-Ex Advisors Limited (the "**Conversion Calculation Agent**") have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee, the Agents or the Conversion Calculation Agent, nor any affiliate of any of them or any person who controls any of them, nor any director, officer, employee or agent of any of the foregoing, as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Securities.

No person is or has been authorised by the Issuer or any of the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Joint Lead Manager.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Securities: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers or the Trustee or any of the Agents that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Securities should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers or the Trustee or any of the Agents to any person to subscribe for or to purchase any Securities in any jurisdiction where such offer or invitation is not permitted by law.

Neither the delivery of this Offering Circular, nor the offering, sale or delivery of the Securities, shall in any circumstances imply 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 Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers, the Trustee and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Securities or to advise any investor in the Securities of any information coming to their attention.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*" below), the information on any websites to which this Offering Circular refers does not form part of this Offering Circular.

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

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

SUITABILITY OF INVESTMENT

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained, or incorporated by reference, in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including (without limitation) where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Securities, including (without limitation) the provisions thereof relating to interest cancellation, Conversion (or, where Condition 7(f)(iv) applies, write-down) of the Securities upon a Trigger Event, and redemption, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex 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 Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Prospective investors should also consult their own financial, legal, accounting and tax advisers as to the financial, legal, accounting and tax consequences of the purchase, ownership and disposition of the Securities and any Ordinary Shares to be delivered upon Conversion of the Securities.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Securities are legal investments for it; (2) the Securities can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in 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 Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a “**retail investor**” means a person who is one (or both) 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) - Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are “prescribed capital markets products” (as defined in the Securities and Futures

(Capital Markets Products) Regulations 2018 of Singapore) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Sales to investors in Ontario: The Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

FCA CoCo RESTRICTION: – The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities. Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein).

In the UK, COBS requires, in summary, that the Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “**retail client**”) in the UK. Each of the Joint Lead Managers is required to comply with COBS.

By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest therein) from the Issuer and/or any Joint Lead Manager, each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Joint Lead Managers that:

1. it is not a retail client (as defined above) in the UK; and
2. it will not sell or offer the Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK. In selling or offering the Securities or making or approving communications relating to the Securities, a prospective investor may not rely on the limited exemptions set out in COBS.

The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), whether or not specifically mentioned in this document, including (without limitation) those set out below and any requirements under the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

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

RESTRICTIONS OF SALES TO U.S. PERSONS

The Securities and any Ordinary Shares which may be delivered upon Conversion of the Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under the securities laws of any state or other jurisdiction of the United States of America (the “**United States**”), and may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) unless the Securities and any Ordinary Shares which may be delivered upon Conversion of the Securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The Securities are being offered and sold only to non-U.S. persons outside the United States in reliance upon Regulation S under the Securities Act (“**Regulation S**”). See “*Subscription and Sale*” below for more details.

STABILISATION

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

FORWARD-LOOKING STATEMENTS

Certain information contained in this Offering Circular, including any information as to the Issuer’s or the Group’s (as defined below) 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. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intend”, “continue”, “budget”, “project”, “aim”, “estimate”, “may”, “will”, “could”, “should”, “schedule” and similar expressions identify forward-looking statements.

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, those described in “*Risk Factors*”.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Offering Circular speak only as at the date of this Offering Circular, reflect the current view of the board of directors of the Issuer (the “**Board**”) 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 operations, results of operations, strategy, liquidity, capital and leverage ratios and the availability of new funding. Investors should specifically consider the

factors identified in this Offering Circular that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Offering Circular are qualified by these cautionary statements. Specific reference is made to the information set out in “*Risk Factors*” and “*Description of the Issuer and the Group*”.

Subject to applicable law or regulation or as required by the London Stock Exchange, the Issuer explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Offering Circular that may occur due to any change in the Issuer’s expectations or to reflect events or circumstances after the date of this Offering Circular.

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures (“**APMs**”) as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures are included or referred to in this Offering Circular (including in the documents incorporated by reference). APMs are measures that are not defined under generally accepted accounting principles (“**GAAP**”) in the UK and which are used by the Issuer within its financial publications to supplement disclosures prepared in accordance with other applicable regulations such as International Financial Reporting Standards, as endorsed by the European Union (“**IFRS**”). The Issuer considers that these measures provide useful information to enhance the understanding of its financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric’s components and calculation method can be found on pages 253 to 257 of the Annual Report of the Issuer for the financial year ended 31 July 2023 and pages 207 to 210 of the Annual Report of the Issuer for the financial year ended 31 July 2022 (which are incorporated by reference into this Offering Circular).

INTERPRETATION

In this Offering Circular, references to “**Close Brothers**” and to “**Group**” are to Close Brothers Group plc and its subsidiaries, taken as a whole. The term “**Subsidiary**” has the meanings given to it in Condition 20.

All references in this document to “**U.S. dollars**” and “**U.S.\$**” refer to United States dollars. In addition, all references to “**Sterling**” and “**£**” refer to pounds sterling and to “**euro**” and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the EU, as amended.

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

This Offering Circular may be used only for the purposes for which it has been published.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE SECURITIES

The following overview provides an overview of certain of the principal features of the Securities and is qualified by the more detailed information contained elsewhere in this Offering Circular. Words and expressions defined in “Terms and Conditions of the Securities” below shall have the same meanings in this general description.

Issuer:	Close Brothers Group plc
Legal entity identifier (LEI):	213800W73SYHR14I3X91
Structuring Agent	UBS AG London Branch
Joint Lead Managers:	J.P. Morgan Securities plc Merrill Lynch International UBS AG London Branch (together, the “ Joint Lead Managers ”)
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent, Registrar, Conversion Agent, Agent Bank and Transfer Agent:	Citibank N.A., London Branch
Conversion Calculation Agent:	Conv-Ex Advisors Limited
Description of the Securities:	£200,000,000 Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities
Issue Date:	29 November 2023
Issue Price:	100 per cent.
Status of the Securities:	The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> , without any preference among themselves. No security or guarantee of whatever kind will at any time be provided by the Issuer or any other person to the Securityholders in respect of their rights under the Securities.
Solvency Condition:	Except in a Winding-Up of the Issuer or (in relation to the cash component of any Alternative Consideration where Condition 7(d)(iii) applies), all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Issuer to cancel payments under

Condition 4(a) and Condition 7(a)(ii), conditional upon the Issuer being solvent (as defined in Condition 3(b)) at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

Rights on a Winding-Up:

Winding-Up prior to a Trigger Event

If a Winding-Up occurs prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in Condition 3(d)(i)), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") ranking *pari passu* as to a return of assets on a Winding-Up with Parity Obligations and the most senior class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which has or have a preferential right to a return of assets in a Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer (including, for the avoidance of doubt, any Ordinary Shares), but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Securityholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with the Conditions) and any other amount payable to such Securityholder in respect of such Security (including any damages awarded for breach of any obligation in respect thereof) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding up or liquidation).

"**Parity Obligations**" means any obligations of the Issuer (including guarantee or other support obligations) which rank, or are expressed by their terms to rank, *pari passu* with the Issuer's obligations in respect of the Securities on a winding-up of the Issuer prior to a Trigger Event (as described in Condition 3(d)(i)).

Winding-Up on or after the occurrence of a Trigger Event

If a Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of such number of Conversion Shares as that Securityholder would have been entitled to receive upon Conversion in accordance with Condition 7 (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding up or liquidation).

No Set off:	Subject to applicable law, no Securityholder may exercise, claim or plead any right of set off, netting, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Securityholder shall, by virtue of its holding of any Security, be deemed to have waived all such rights of set off, netting, compensation or retention.
Initial Interest Rate	11.125 per cent. per annum, payable (subject to cancellation as provided herein) in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date.
Reset Dates:	29 May 2029 (the “ First Reset Date ”) and each date falling five, or an integral multiple of five, years after the First Reset Date.
Reset Interest Rate:	The Interest Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next succeeding Reset Date, the Interest Rate will be the sum of the 5-year Gilt Rate (as defined in the Conditions) for the relevant Reset Period and the Margin.
Margin:	7.039 per cent. per annum.
Interest Payment Dates:	Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 29 May and 29 November of each year, commencing on 29 May 2024 (each an “ Interest Payment Date ”).

Cancellation of Interest Payments:

If the Issuer does not pay an interest amount (or any part thereof), such non-payment shall evidence:

- i. the non-payment and cancellation of such amount of interest (or relevant part thereof) by reason of it not being due in accordance with the provisions described under "*Solvency Condition*" above;
- ii. the cancellation of such amount of interest (or relevant part thereof) in accordance with the provisions described under "*Restrictions on Interest Payments*" below;
- iii. the cancellation of such interest payment upon Conversion following the occurrence of a Trigger Event; or
- iv. the Issuer's exercise of its discretion to otherwise cancel such interest payment (or any part thereof) as described under "*Interest Payments Discretionary*" below,

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

Any interest payment (or relevant part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment shall not constitute a default or event of default for any purpose.

Interest Payments Discretionary:

Interest on the Securities is due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out herein. Accordingly, the Issuer may at any time elect to cancel (in whole or in part) any amount of interest otherwise scheduled to be paid on any date.

Restrictions on Interest Payments:

The Issuer will (in the case of paragraphs (A) and (B) below, to the extent required to do so under the then-prevailing Regulatory Capital Requirements) cancel any amount of interest (or, as appropriate, part thereof) on the Securities otherwise scheduled to be paid on any date if and to the extent that:

- (A) *Insufficient Distributable Items*: such amount of interest, together (if applicable) with any Additional Amounts payable thereon, when aggregated together with any interest payments or distributions which have been paid

or made or which are required to be paid or made during the then-current Financial Year on the Securities and all other own funds items of the Issuer (excluding any such interest payments or distributions paid or made on Tier 2 Capital instruments or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items (as defined in the Conditions) of the Issuer as at such date;

- (B) *Maximum Distributable Amount*: the aggregate of the relevant interest amount, together (if applicable) with any Additional Amounts payable thereon, and the amounts of any distributions of the kind referred to in rule 4.3(2) of Chapter 4 (Capital Conservation Measures) of the Part of the PRA Rulebook with title “*Capital Buffers*” (as the same may be amended or replaced) and/or referred to in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Issuer or the Group is failing to meet any relevant requirement or any buffers relating to such requirements (in each case to the extent then applicable to the Issuer or the Group) exceeds the Maximum Distributable Amount (if any) applicable to the Issuer or the Group as at such date; and/or
- (C) *Supervisory Authority direction*: the Supervisory Authority orders the Issuer to cancel (in whole or in part) any interest otherwise payable on such date.

Perpetual Securities: The Securities are perpetual securities and have no fixed maturity or fixed redemption date.

Optional redemption: Subject to certain conditions, the Issuer may, at its option, redeem the Securities, in whole but not in part, (i) on any day falling in the period commencing on (and including) 29 November 2028 and ending on (and including) the First Reset Date or (ii) on any Reset Date thereafter, at their principal amount, together with any Accrued Interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Redemption due to a Capital Disqualification Event or a Tax Event: Subject to certain conditions, if at any time a Capital Disqualification Event or a Tax Event has occurred and is continuing, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any date at their principal amount, together with any Accrued Interest (which

excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Substitution or Variation:

If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, alternatively, at any time either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become, Compliant Securities.

Purchase:

Subject to certain conditions, the Issuer or any of its Subsidiaries may, at any time, purchase or otherwise acquire for its account Securities at any price in the open market or otherwise in accordance with the then prevailing Regulatory Capital Requirements.

Conditions to Redemption, Purchase, Substitution or Variation:

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

- i. the Issuer obtaining Regulatory Approval and being in compliance with the relevant Regulatory Preconditions;
- ii. the Solvency Condition being satisfied on the date scheduled for redemption or purchase; and
- iii. no Trigger Event having occurred prior to the date scheduled for the settlement of such redemption or purchase.

Any substitution of the Securities under Condition 6(f) is subject to obtaining Regulatory Approval and compliance with any requirements therefor under the Regulatory Capital Requirements at that time.

Any variation of the Securities under Condition 6(f) is subject, if so required at such time, to the Issuer having given such notice to the Supervisory Authority with respect to such variation, and within such prescribed period, as is then required by the prevailing Regulatory Capital Requirements, and to the Supervisory Authority not having objected to such variation during such prescribed period.

Enforcement:

In the event of a Winding-Up, or if the Issuer has not made payment of any amount of principal in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and, unless proceedings

for a Winding-Up have already commenced, the Trustee may (and, subject to and in the circumstances set out in Condition 10(c), shall) institute proceedings for a winding-up of the Issuer.

The Trustee may (and, subject to and in the circumstances set out in Condition 10(c), shall) claim and/or prove in respect of the Securities in a Winding-Up (whether or not instituted by the Trustee), such claim being that set out in Condition 3(d)(i) or 3(d)(ii), as applicable.

Conversion:

If the Trigger Event occurs, each Security shall be automatically and irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, and the issuance of such Ordinary Shares to the Conversion Shares Depositary to be held on trust for the Securityholders, all in accordance with, and subject to, the provisions of Condition 7. The Conversion shall occur without delay and by no later than one (1) month (or such shorter period as the Supervisory Authority may then require).

Notwithstanding the foregoing, if a Trigger Event occurs after the occurrence of a Non-Qualifying Relevant Event, the Securities would not be subject to Conversion and instead would be automatically written down to zero and cancelled.

See Condition 7 for further information.

Trigger Event:

The Trigger Event will occur if, at any time, the Common Equity Tier 1 Capital Ratio of the Group falls below 7.00 per cent., as determined by the Issuer (or by the Supervisory Authority or any agent appointed by the Supervisory Authority for such purpose and notified to the Issuer).

Conversion Price:

The Conversion Price per Ordinary Share in respect of the Securities is £6.65, subject to the limited anti-dilution adjustments as described in Condition 7(e).

Conversion Shares Offer:

Not later than the third Business Day prior to the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election, by giving a Conversion Shares Offer Election Notice, that the Conversion Shares Depositary (or an agent on its behalf) will, in the Issuer's sole and absolute discretion, make an offer to all or (in the Issuer's sole and absolute discretion) some of the Issuer's existing Shareholders at such time for such Shareholders to purchase or acquire all or some of the Conversion Shares to

be delivered on Conversion, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price.

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

Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Holders of the Securities and to the Trustee, the Principal Paying Agent and the Conversion Agent of the composition of the Alternative Consideration (and of the deductions to the cash component, if any, of the Alternative Consideration (as set out in the definition of Alternative Consideration)) per Calculation Amount. The Alternative Consideration shall be held on trust by the Conversion Shares Depositary for the Securityholders. The cash component of any Alternative Consideration shall be payable by the Conversion Shares Depositary to the Holders of the Securities in pounds sterling and whether or not the Solvency Condition referred to in Condition 3(b) is satisfied.

Obtaining Conversion Shares and Alternative Consideration:

In order to obtain any Conversion Shares or Alternative Consideration (as the case may be) to which it is entitled following Conversion of the Securities, a Securityholder shall be required to deliver a Conversion Notice (and, if the Securities are in definitive form, the relevant Certificate(s) representing such Securities) to the Conversion Shares Depositary or its agent.

Ordinary Shares:

The Ordinary Shares (being Conversion Shares or any Ordinary Share component of any Alternative Consideration, if applicable) issued and delivered on Conversion will be fully paid and will in all respects rank *pari passu* with the relevant fully paid Ordinary Shares in issue on the Conversion Date, save as provided herein.

Withholding Tax:

Payments in respect of the Securities shall be made free and clear of, and without any withholding or deduction for or on account of, any UK taxes unless required by law. In that event, in respect of the payment of any interest on (but not, for the avoidance of doubt, in respect of principal of or any other amount in respect of) the Securities, the Issuer shall pay such additional amounts as shall result in receipt by Securityholders (after the withholding or deduction) of such amount as would have been received by them in the absence of the withholding or deduction, subject to the exceptions set out in Condition 8.

Modification and Waiver:	<p>The Trust Deed contains provisions for Securityholders to pass Extraordinary Resolutions, whether at a duly convened meeting of the Securityholders, by way of a resolution in writing or voting through the use of electronic consents in the Clearing Systems. An Extraordinary Resolution will be binding on all Securityholders, whether or not they are present at the meeting or, as the case may be, sign the resolution in writing or provide electronic consent, and including Securityholders who voted against the relevant resolution.</p> <p>In addition, the Trustee may (subject to certain exceptions) agree, without the consent of the Securityholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest error.</p>
Substitution of the Issuer:	<p>The Conditions permit the Trustee to agree, without the consent of Securityholders, to the substitution in place of the Issuer of (i) a Newco (as provided in and for the purposes of Condition 13(f)) or (ii) a Successor in business (as defined in the Trust Deed), subject to certain conditions. See Condition 14 for further information.</p>
Form:	<p>The Securities will be issued in registered form. The Securities will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depositary for the Clearing Systems. The Global Certificate will be exchangeable for definitive certificates in limited circumstances, as set out in “<i>Summary of provisions relating to the Securities while represented by the Global Certificate</i>” below.</p>
Denomination:	<p>£200,000 and integral multiples of £1,000 in excess thereof.</p>
Listing:	<p>Application will be made to the London Stock Exchange for the Securities to be admitted to trading on the ISM with effect from on or around the Issue Date.</p>
Clearing:	<p>The Securities have been accepted for clearing by Euroclear and Clearstream, Luxembourg.</p>

ISIN:	XS2541917105
Common Code:	254191710
CFI:	DCFXPR
FISN:	CLOSE BROTHERS /CONV B PERP REGS
Ratings:	The Securities are expected, on issue, to be rated Baa2 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Governing law:	The Securities and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.
Recognition of Bail-in Power:	Notwithstanding and to the exclusion of any other term of the Securities or any other agreements, arrangements or understandings between the Issuer and any Securityholder by its acquisition of any Security (or any interest therein), each Securityholder, the Trustee on behalf of the Securityholders and each holder of a beneficial interest in any Security, will acknowledge, accept and agree that the Amounts Due arising under the Securities may be subject to the exercise of the Bail-in Powers 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 18.
Risk Factors:	See " <i>Risk Factors</i> " below.
Use of Proceeds:	The net proceeds of the issue will be used by the Issuer for general corporate purposes of the Group and to further strengthen the Group's regulatory capital base. It is the Group's intention to downstream the majority of the proceeds of the issuance of the Securities to Close Brothers Limited on a like-for-like basis.
Selling Restrictions:	See " <i>Subscription and Sale</i> " below.
EU PRIIPs Regulation/UK PRIIPs Regulation	No EU PRIIPs Regulation or UK PRIIPs Regulation KID has been prepared as the Securities are not available to retail investors in the EEA or the UK.
UK MiFIR Product Governance	Solely for the purposes of each manufacturer's product approval processes, the manufacturers have concluded that: (i) the target market for the Securities is eligible counterparties and professional clients only; and (ii) all

channels for distribution of the Securities to eligible counterparties and professional clients are appropriate.

FCA CoCo Restriction

The Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities and are material for the purpose of assessing the market risks associated with the Securities.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer and the impact each could have on the Issuer is set out below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Terms and expressions defined in the “Terms and Conditions of the Securities” below or elsewhere in this Offering Circular have the same meaning when used in this section.

Factors that may affect the Issuer’s ability to fulfil its obligations under the Securities

(A) Economic and political risks

Adverse Economic Conditions

The Group is directly and indirectly subject to inherent risks arising from general economic conditions in the UK and the other economies in which it operates, in respect of which there remains uncertainty about future economic development, and economic conditions remain challenging. Investors remain cautious and any worsening, or failure to improve, of economic conditions would likely aggravate the adverse effects of difficult economic and market conditions on the Group and on others in the financial services industry.

Due to the diversified nature of the Group’s activities, variable and/or volatile economic conditions could impact the Group in a number of different ways including, among other things, lower demand for the Group’s products and services, lower investor risk appetite as a result of instability in the financial markets, high bad debt charges due to the inability of customers to repay loans and associated interest and charges and reductions in asset values or ability to recover from third parties under other arrangements treated as security for those loans, and increased volatility in the funding markets. The Group operates in specialist areas where staff have significant expertise of the market and its products, along with an in-depth understanding of the requirements of the Group’s customers, which has improved the Group’s resilience, enabling it to trade profitably through economic downturns. However, in a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and/or lower consumer spending, demand for the Group’s products and services could be materially and adversely affected.

There continues to be a risk to the demand for the Group’s products and services and the associated impacts on the Group’s profitability as demand for such products and services,

especially those within the UK, is sensitive to economic conditions, particularly in the event of a renewed economic downturn. Though the pressures resulting from the COVID-19 pandemic have receded, the conflict in Ukraine and rising inflation and interest rates continue to add an element of uncertainty to the economic outlook in the UK and across global supply chains and markets more generally. Factors relating to general economic conditions such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, rising inflation, interest rates and energy prices and pressures on the cost of living, all have the potential to adversely affect the profitability of the Group. The exact impact of these market risks faced by the Group is uncertain and difficult to predict and respond to, particularly in view of: difficulties in predicting the rate at which any economic deterioration may occur, and over what duration; and the fact that many of the related risks to the business are totally, or partly, outside the control of the Group.

Economic stagnation, or a deterioration in economic conditions, could result in an increase in impairments to the Group's loan book as a result of customers becoming unable to service debt and/or a reduction in the value of assets on which loans are secured, and declines in the market value of the debt securities held by the Group. Such instability and reduction in asset values could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In the financial year ended 31 July 2023, the Group's annualised bad debt ratio was 0.9 per cent. (excluding Novitas Loans, a specialist provider of finance for the legal sector ("**Novitas**"); the ratio was 2.2 per cent. including Novitas). There continues to be a risk of further bad debt due to the impact on the Group's customer base of interest rate rises by the Bank of England, made in response to factors such as macroeconomic inflationary pressures, political uncertainty, impacts on supply chains (including those caused by COVID-19 lockdowns in China) and global economic uncertainty. The timing, pace and quantum of interest rate rises will be a key factor in the impact on bad debt rates. The Group is alert to the highly uncertain environment and continues to monitor closely the performance of the loan book, including through portfolio reviews, regular forecasting and stress testing undertaken to reflect uncertainties in the economic environment. A range of forward-looking scenarios has been considered, with distinct social and economic assumptions.

Although the broader economic outlook in respect of the COVID-19 pandemic has improved following a global vaccine rollout, the economic trajectory in the short to medium term remains uncertain. Government support measures, including the Coronavirus Job Retention Scheme for furloughed workers, which the Group did not utilise, and the Coronavirus Business Interruption Scheme, under which the Group was accredited to lend, provided financial assistance to small- and medium-sized enterprises ("**SMEs**") and individuals to help mitigate the impact of COVID-19. Such schemes, in addition to forbearance measures offered to customers by the Group, are likely to have cushioned or delayed potential bad debts. As these schemes have come to an end, there is a risk of increased bad debts with businesses and individuals now required to recommence payments. The Group continues to remain in close contact with its customers and monitor their circumstances and ability to recommence payments when due.

While the Group's risk management, internal control systems and overall business model are designed to enable it to trade profitably through downturns in the economic cycle, there can be no assurance that the effectiveness of the Group's strategy (or ability to implement its strategy), and the Group's business, financial condition, results of operations and/or prospects, will not be adversely affected by future deterioration in economic conditions.

Liquidity and funding risk

The Group requires access to sources of funding to support its client lending whilst maintaining a conservative liquidity position. If the Group is unable to source sufficient funding, this could constrain growth and, in extreme circumstances, require the Group to reduce lending levels. The Group has diversified sources of funding, by type and by tenor, and the cost and availability of these sources continues to fluctuate. Although the Group has historically been able to access sufficient funding from diverse sources to support its operations, there can be no assurance that sufficient funding would always be available to the Group in future, especially under uncertain market conditions.

Liquidity risk is the risk that the Group will have insufficient liquidity to meet its liabilities as they fall due, or that the Group can only meet such liabilities at an uneconomic price. A lack of available liquid resources would constrain the Group's ability to conduct its business and pursue its strategic objectives, and would expose the Group to regulatory risk.

The Group seeks to manage its liquidity position on a prudent basis, and is required under the applicable Prudential Regulation Authority ("**PRA**") rules to maintain liquid assets equal to at least 100 per cent. of its expected liquidity outflows over a 30-day stress period as well as net stable funding equal to at least 100 per cent. of its net stable funding requirement. The Group holds a significant amount of high-quality liquid assets in the form of cash placed on deposit with the Bank of England as well as sovereign and central bank debt and other qualifying high-quality liquid assets. The Group monitors liquidity risk using a variety of measures, including regular stress testing and cash flow monitoring, and reporting to both the Group and divisional board. Despite these measures, there can be no assurance that the Group would always have sufficient liquidity such that the Group's results of operations, financial condition and cash flows could not be materially and adversely affected.

Heightened disruption and volatility in the global financial markets (such as that arising from rising inflation and interest rates, the withdrawal of government COVID-19 support schemes, geopolitical uncertainty arising from the conflict in Ukraine and the Israel-Hamas conflict, the failure of banking institutions and supply chain disruption) could have a material adverse effect on the Group, including its ability to access capital and liquidity, particularly in light of increased market competitiveness. The Group's cost of obtaining funding is directly related to the prevailing market interest rates and to its credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

The availability of central bank facilities for UK financial institutions, to the extent that they provide the Group with access to more attractive funding than other sources, reduces the Group's reliance on retail or wholesale markets. To the extent that the Group makes use of central bank facilities, any significant reduction or withdrawal of those facilities would be likely to increase the Group's funding costs. In addition, other financial institutions who have relied significantly on governmental support to meet their funding needs will also need to find alternative sources of funding and, in such a scenario, the Group expects to face increased competition for funding, particularly retail funding which the Group utilises. This competition could further increase the Group's funding costs and so adversely impact its results of operations and financial position. The Group's cost of

funding could also increase as a result of any further increase(s) in interest rates by the Bank of England in response to prevailing macroeconomic conditions and inflationary pressures.

Each of the factors described above – rising inflation and interest rates, the withdrawal of government COVID-19 support schemes, geopolitical uncertainty arising from the conflict in Ukraine and supply chain disruption – could have a material adverse effect on the Group's ability to access capital, funding and liquidity (whether directly or indirectly).

(B) Legal, regulatory and tax risks

Legal and Regulatory Risk

The Group operates in a highly regulated environment. Following the banking crisis of late 2008, the banking and financial services sector, and the regulatory framework in which it operates, has been and remains under significant regulatory scrutiny.

The nature, effect and impact of future changes (whether currently proposed or actual) in laws, regulations and regulatory policies (including in relation to taxation) are not predictable and are beyond the Group's control, and changes in such laws, regulations and regulatory policies in the jurisdictions in which the Group operates could affect the way the Group conducts business and manages capital and liquidity and may have an adverse effect on the Group's financial condition, results of operations and profitability.

Further details of the legal and regulatory risks to which the Group is subject are set out below:

Capital and liquidity requirements

The Group is subject to consolidated supervision by the PRA under Regulation (EU) No 575/2013, as it forms part of the domestic law of the UK pursuant to the European Union (Withdrawal) Act 2020 (as amended) (the "EUWA"), including as it has been amended by the laws of England and Wales (the "UK CRR"). Any failure by the Group to comply with the requirements of the UK CRR and associated subordinate legislation and regulatory rules (including as regards capital adequacy and liquidity) may result in the Group being subject to administrative actions or sanctions which may affect its ability to fulfil its obligations.

The UK CRR, together with subordinate legislation and regulatory rules, implements the Basel III regulatory capital framework promulgated by the Basel Committee on Banking Supervision ("BCBS") between 2010 and 2019. It does not, at present, reflect in full the requirements of the BCBS framework referred to as "Basel 3.1", although the UK government has committed to implement those elements of the framework by 1 July 2025 (with certain elements, including a risk-weight output floor, being phased in over a planned four and a half year period commencing on that date). In November 2022, the PRA published a consultation paper (CP16/22) setting out its proposed approach to implementing Basel 3.1, and at the same time HM Treasury also published a consultation paper on the technical and legislative changes required to facilitate the PRA's implementation of Basel 3.1. The consultation paper indicates that the UK's implementation will be substantively aligned with the approach advocated by the BCBS. HM Treasury's approach to the implementation of Basel 3.1 will involve the revocation of some elements of the UK CRR and their replacement with rules made by the PRA. It is also expected that in the future the UK

CRR may be repealed in full, and its requirements transcribed into regulatory rules, as part of proposed post-Brexit reforms to the regulation of financial services in the United Kingdom.

The Group is required to maintain certain capital ratios by applicable law, regulation and guidance. These capital ratios express the ratio between required capital resources and risk-weighted assets. Certain events are likely to affect the Group's capital ratios in differing ways. The Group has disclosed its capital ratios under the transitional and fully loaded arrangements set out in the UK CRR. If Basel 3.1 is implemented as proposed, the Group's risk-weighted assets could, as a result of the proposed changes in the applicable methodologies for calculating risk-weights, once fully phased-in, increase by up to 10 per cent. The Group believes that it has sufficient management actions available to address this impact should the Basel 3.1 proposals remain unchanged. In addition, to calculate regulatory capital requirements for credit risk the Group is transitioning to the Internal Ratings Based approach, which is a supervisor-approved method using internal models, rather than standardised risk weightings. The Group's initial application to the PRA was made in December 2020 and is continuing through Phase 2 of the review process. Additional documentation has been submitted to the regulator and engagement continues. The Group's Motor Finance, Property Finance and Energy portfolios, where the use of models is most mature, were submitted with the initial application, with work on subsequent portfolios in progress. There is a risk that the transition may impact the Group's capital ratios in the short-term and increase the volatility of such capital ratios going forward.

Effective management of the Group's capital position is important to its ability to operate its business. Any future legislative, regulatory or policy changes that limit the Group's ability to manage its balance sheet and capital resources effectively, or to access funding on commercially acceptable terms, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In connection with the special resolution regime (the "**SRR**"), and in order to support the Bank of England's preferred resolution strategy for each resolution entity or group under its supervision, firms (including the Group) are required to maintain a minimum requirement for own funds and eligible liabilities ("**MREL**"). The MREL requirement is, broadly, split into two components: a loss absorption component (comprising the firm's capital requirement, to be met with own funds instruments) and, if applicable, a recapitalisation component (to be met with additional loss-absorbing capacity, including 'eligible liabilities instruments'). The MREL requirement for a firm depends, in part, upon the Bank of England's preferred resolution strategy for that firm. See also "*Risks relating to the Banking Act 2009*" below.

As at the date of this Offering Circular, the Bank of England's preferred resolution strategy for the Group is 'modified insolvency'. Accordingly, the recapitalisation component of the Group's MREL requirement is presently set at nil. As such, the Group's MREL requirement does not presently exceed its own funds (capital) requirement, and the Group does not expect this to change over the next three years. Nonetheless, it remains possible that the Bank of England could decide to take a different approach in relation to the Group and/or change its preferred resolution strategy in the future. It is difficult to predict the full effect of such changes on the Group if they take place. However, the future changes of the preferred resolution strategy may limit or restrict the execution of the Group's strategy and may have an adverse effect on the Group's business, capital and funding structure, financial condition, results of operations and/or prospects, and may increase compliance costs.

The Group is subject to the emerging risks associated with climate change

The risks associated with climate change continue to be a key focus area, both in the UK and internationally, from governments, regulators, activist organisations and large sections of society. The Group has increased its focus on climate change considerations and continues to progress in developing and implementing an appropriate and regulatory-compliant climate risk framework (the “**Framework**”) which is overseen by the Group’s Sustainability and Climate Committee. The Group’s Enterprise Risk Management Framework facilitates a consistent application of all features of the Group’s risk management approach to the risks associated with climate change. This extends to both the physical risks, which are considered a cross-cutting risk impacting across the Group’s suite of principal risks, as well as transitional risks, which are additionally measured and monitored in line with its emerging risks. The Group continues to mature its climate risk framework and ensure appropriate governance and oversight.

The Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (“**TCFD**”) provides a suite of recommendations for consistent climate-related financial risk disclosures in mainstream company filings. The Group has published climate disclosures consistent with the TCFD recommendations.

In assessing both the risks and opportunities of climate impacts and in preparing its TCFD disclosures, the Group has sought to provide sufficient granularity, proportionate to the materiality of the climate-risks identified. The Group’s work identifying, assessing and reporting the impacts of physical and transitional climate-related risks and opportunities over a range of time horizons enables the Group to react to any potential effect on its operating results, financial condition and prospects. The Group’s extensive analysis of climate-related risks to date indicates that it is not materially exposed to loss or disruption over the short to medium term. In respect of physical risk, the Group considers that any severe impacts are not likely to materialise in the short-term, although it does recognise that there is evidence of acute physical events already happening. Over the longer term, increased risks have been identified, primarily driven by transitional impacts such as changes to regulation, policy, technologies and customer appetites, but also by extreme variability in weather patterns, increasing incidence and severity of physical impacts, which could have a material adverse effect on the Group’s operating results, financial condition and prospects.

The alignment of the Group’s risk management framework with climate-related risks and opportunities remains a priority to ensure that the Group can support its customers with appropriate financing solutions as they develop and deliver their own transition plans. This will also ensure the Group is well-placed to deliver upon its climate-related commitments and meet the expectations of other key stakeholder groups.

Consumer Credit Regulation

Firms carrying on regulated consumer credit activities must comply with the relevant provisions of FSMA and related secondary legislation, the FCA Handbook’s Consumer Credit Sourcebook (“**CONC**”) and the provisions of the Consumer Credit Act 1974 (the “**CCA**”) and related secondary legislation which have been retained following the transfer of the regime from the Office of Fair Trading to the FCA in accordance with provisions under the Financial Services Act 2012. Failure to hold the appropriate permissions to carry on regulated activities in respect of consumer credit activities or to comply with prescriptive requirements regarding the form and content of credit agreements and the issuance of certain post-contract documentation, may render an agreement

unenforceable or require a firm to provide financial redress in respect of interest payments or charges collected during any period of non-compliance (under the CCA regime) or require a firm to repay all money paid under the credit agreement and compensate the customer for any losses suffered (under the FSMA regime). In addition, failure to comply with the FCA's CONC rules may lead to a firm being required to provide financial redress and/or be subject to regulatory enforcement action, which in some cases could affect a firm's ability to recover relevant debts. The Financial Services Act 2012 also provides for formalised co-operation to exist between the FCA and the Financial Ombudsman Service ("**FOS**") (which determines complaints by eligible complainants in relation to authorised financial services firms and certain other businesses), particularly where issues identified potentially have wider implications with a view to the FCA requiring firms to operate consumer redress schemes.

In June 2022, HM Treasury announced its intention to reform the UK consumer credit regime by bringing many of the requirements of the CCA within the FCA's Handbook of rules and guidance. Any such changes could have an adverse effect on the Group's operating results, financial condition and prospects.

Three subsidiaries of Close Brothers Limited are authorised by the Central Bank of Ireland (the "**CBI**") to carry on certain consumer lending activities in the Republic of Ireland. Close Brothers Premium DAC is authorised as a high cost credit provider and each of Close Brothers DAC and Bluestone Motor Finance (Ireland) DAC (which was acquired by the Group in 2023) is transitionally authorised as a retail credit firm by the CBI. Accordingly, the Group is also subject to supervision and regulation by the CBI in relation to its consumer lending activities in the Republic of Ireland. Failure by the Group to comply with any consumer credit requirements as prescribed by the CBI may lead to the Group being required to provide financial redress and/or be subject to regulatory enforcement action.

Possible impact of regulatory change

The resolution of a number of issues, including regulatory investigations and reviews and court cases, affecting the financial services sector in the markets in which the Group operates could have an adverse effect on the Group's operating results, financial condition and prospects, or its relations with its customers and potential customers.

The UK government has recently proposed to enhance the powers of the Competition and Markets Authority (the "**CMA**") in relation to consumer protection powers, and the CMA is also considering a number of policy issues that may impact financial services, for example "loyalty penalties" and the impact of digitalisation on consumer outcomes. There is the potential that the CMA and FCA (which have concurrent competition powers in financial services) take different stances on certain policy issues in these spheres.

Regulatory focus and prioritisation of conduct risk continues to increase. In particular, the FCA has finalised rules and guidance relating to the treatment of vulnerable customers and published its final rules implementing a new "consumer duty" (the "**Consumer Duty**"). The Consumer Duty applied from 31 July 2023 for new and existing products and services that are open to sale or renewal, and will formally apply from 31 July 2024 for closed products and services. The Consumer Duty has three elements: (i) a consumer principle that provides a high-level expectation of conduct (namely, that a firm must act to deliver good outcomes for retail clients); (ii) a set of overarching cross-cutting rules which develop and amplify the standards of conduct that the FCA expects under the consumer principle; and (iii) a suite of rules and guidance setting

more detailed expectations for a firm's conduct according to the four specific outcomes that represent the key elements of the firm and its consumer relationships (communications, products and services, price and value and customer service). Firms are required to monitor, evidence and report against many of the Consumer Duty requirements. There may be added costs associated with making the necessary changes to ensure compliance with the Consumer Duty and an increased risk of customer complaints and / or action if the Group fails (or is perceived to have failed) to do so. The implementation of this framework has required a review of the Group's retail products and services alongside related policies, systems and procedures. In response to the new rules, the Group has implemented a programme with objectives and key deliverables directly aligned to the Consumer Duty requirements. Examples of workstreams include completing fair value assessments and enhanced product reviews, developing enhanced training, enhancing customer communications where necessary, and enhancing the Group's data to ensure it can effectively monitor outcomes. The Group's focus is now on continuing to embed its compliance with Consumer Duty requirements and implementing Consumer Duty changes for books of business not open to new customers. However, given the relative novelty of the requirements, the costs and other impacts arising from the Consumer Duty remain uncertain. The regime may affect elements of the Group's business model and strategy, the products and services it offers and the pricing or costs of those products and services, which may in turn affect the revenue and profits that the Group is able to generate. It may result in an increase in civil litigation or claims to the Financial Ombudsman Service by customers alleging a breach of the Consumer Duty or in regulatory action by the FCA. The retail markets in which the Group's products are distributed may also be affected generally by all regulated retail firms having to implement this framework. Although the Consumer Duty will not apply retrospectively, there is a risk of an adverse impact on the Group's business if it fails to comply with the new rules both reputationally and due to any penalties imposed by the FCA. The FCA's business plan for 2023/24 included amongst its priorities, sector-specific supervisory work relating to implementation of the Consumer Duty.

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 introduced from May 2021 the ability for individuals to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue or enforce a debt owed by the applicant. Changes to the UK corporate insolvency regime were introduced through the Corporate Insolvency and Governance Act 2020, including a pre-insolvency moratorium process for corporates in financial difficulty to give a period of time to seek a rescue or restructure and a new restructuring plan insolvency procedure to enable debt restructures. Potential future changes, including the UK government's recently announced commitment to reform the CCA, all have the potential to impact on the Group's earnings, and workstreams have been established to ensure the Group can meet these requirements. Changes in supervision and regulation, in particular in the UK, could materially affect the Group's business, the products and services it offers, the value of its assets and its ability to respond to the requirements of the relevant UK regulatory authorities.

The Group monitors regulatory developments and engages in dialogue with regulatory authorities on a regular basis and continues to maintain a conservative model with a strong, well-capitalised balance sheet, and believes it is well placed to react to regulatory change. Each of the Group's regulated businesses has a dedicated compliance officer who is responsible for supporting the business in meeting its regulatory compliance obligations. In addition, risk-based monitoring reviews are used to assess compliance. The activities of these compliance professionals are co-ordinated and overseen on a Group-wide basis by the Group Head of Compliance to whom they report. Despite these measures, there can be no assurance that the Group's financial

performance will not be adversely affected should unforeseen events relating to legal and regulatory risk arise in the future.

As the Group offers products to customers in a number of industries which are regulated, any changes in the regulatory environment for those industries may also have a material adverse effect on the Group's business, profitability, financial condition and prospects. For example, changes in regulation affecting the businesses of customers to which the Group provides financing could potentially negatively impact the ability of such customers to service their loans and so reduce the value of the underlying asset.

The Financial Services and Markets Acts 2023 ("**FSMA 2023**") received Royal Assent on 29 June 2023. FSMA 2023 enables HM treasury to revoke EU law relating to financial services and the FCA and PRA to replace it with legislation and regulatory rules. This process may result in material changes to the UK regulatory regime which could impact aspects of the Group's business model and strategy, which may in turn affect the revenues and profit of the Group.

Financial Services Compensation Scheme

Close Brothers Limited, by virtue of being a PRA-authorized deposit taker, contributes to the Financial Services Compensation Scheme ("**FSCS**") which provides compensation to eligible customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs and individual institutions make payments based on their level of market participation.

Whilst it is anticipated that the substantial majority of any compensation claims will be repaid wholly from recoveries from the institutions concerned, in the event of a shortfall, the FSCS may place additional levies on all FSCS participants, which may be in significant amounts and have a material impact on the Group's profits.

Further reform initiatives may also result in changes to the FSCS which could result in additional costs and risks for the Group. It is possible that future policy of the FSCS and future levies on the firms authorised by the FCA or the PRA may differ from those at present. The Group may incur additional costs and liabilities as a result of such changes, or any further related changes which may be made, which may adversely affect its operating results, financial condition and prospects.

Legal and Compliance Risk

Compliance with current legislation and regulation applicable to the Group

The Group is exposed to risks associated with current legislation and regulation, which may arise in a number of ways. Primarily:

- the Bank of England, the FCA, the PRA, HM Treasury, the FOS, the courts, the CMA, the CBI or other regulators outside the UK may determine that the Group is not conducting certain aspects of its business in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion;

- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK's Serious Fraud Office, those in the U.S. and others. The Group is not aware of any current investigation into the Group as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigations;
- the Group may be liable for damages to third parties harmed by the conduct of its business; and
- the Group is subject to rules and regulations related to the prevention of money laundering and terrorist financing and financial sanctions and any failure to comply with such rules and regulations may result in regulatory action or damage the reputation of the Group.

Failure to comply with the wide range of laws and regulations which apply to the Group could have a number of adverse consequences for the Group, including the risk of:

- substantial monetary damages, fines or other penalties, the amounts of which are difficult to predict and may exceed the amount of any provisions set aside to cover such risks, in addition to potential injunctive relief;
- regulatory investigations, reviews, proceedings and enforcement actions;
- being required to amend sales processes, product and service terms and disclosures, withdraw products or provide redress or compensation to affected customers;
- the Group either not being able to enforce contractual terms as intended or having contractual terms enforced against it in an adverse way;
- civil or private litigation (brought by individuals or groups of individuals or claimants as a class) in the UK and other jurisdictions (which may arise out of regulatory investigations and enforcement actions or customer complaints);
- criminal enforcement proceedings; and
- regulatory restrictions on the Group's business,

any or all of which (i) could result in the Group incurring significant costs, (ii) may require provisions to be recorded in the Group's financial statements, (iii) could negatively impact future revenues from affected products and services, and (iv) could have a negative impact on the Group's reputation and the confidence of 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. Regulatory restrictions could also require additional capital and/or liquidity to be held. Any of these risks, should they materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to regulatory intervention

There is an ongoing risk that a regulator may identify industry-wide issues and seek to address such issues through direct intervention, in a similar way to which regulators have intervened in recent years to seek to address industry-wide misselling issues in respect of payment protection insurance. Such interventions could result in litigation (including claims management company-driven legal campaigns) and/or enforcement action which could cause significant direct costs or liabilities and/or changes in the practices of the Group's businesses which may have an adverse effect on the Group's business, financial condition and/or results of operations.

Specifically, the Group has received a number of complaints, some of which are with the Financial Ombudsman Service, and is subject to a number of claims through the courts regarding historic commission arrangements with intermediaries on its Motor Finance products. This follows the FCA's Motor Market Review in 2019. Depending on the outcome of the court's rulings and/or regulatory findings on the matter, these complaints and claims may give rise to a potential future obligation to compensate customers. It is not currently possible to estimate the financial impact, if any, or scope of these or any future related claims.

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

In addition, unforeseeable legal and regulatory actions or developments pose a number of risks to the Group, including substantial monetary damages or fines. It is difficult to quantify potential liability and any estimates will be uncertain. Amounts which the Group is eventually liable to pay may be materially different to the amount of provisions set aside to cover such risks, or existing provisions may need to be materially increased to cover such risk or in response to changing circumstances. Any adverse outcomes or decisions in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group's business, financial condition and results of operations.

Although the Issuer is not currently aware of any material failure to comply with applicable laws, regulations, rules and other conduct guidance, were such a failure to occur it could result in investigations, enforcement, licensing actions or other action that may lead to fines or suspension or termination of the Group's authorisations, permissions and/or licences. In addition, such failure to comply, revocation of an authorisation, permission or licence, or any actions by the Group may damage the reputation or increase the compliance risk and conduct risk for the Group. Any of these developments could have a material adverse effect on the Group's ability to conduct business and on the Group's financial condition, financial returns or results of operations.

While the Group continues to invest significantly in both staff and operating systems to ensure the Group remains well placed to respond to changes in regulation, the anti-money laundering and anti-terrorist financing laws and regulations to which the Group is subject have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

Risks associated with changes to the legal and regulatory frameworks to which the Group is subject

The Group faces risks associated with an uncertain and changing legal and regulatory environment (including in relation to the UK government's current proposals to reform UK financial services regulation post-Brexit). At both a national and European (or wider) level, existing laws and regulations may be amended, or new laws and regulations may be introduced, which could affect the Group by, for example:

- resulting in the need for increased operational and compliance resources to ensure compliance with the new or amended laws and regulations;
- restricting the customer base to which the Group's products or services can be offered;
or
- restricting the products or services which the Group can provide.

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

Following the UK's departure from the European Union (referred to as "**Brexit**"), the extent to which the UK may decide to diverge from existing EU standards (including as they have been implemented in UK law and regulation) over time, remains unclear. Significant regulatory divergence between the respective UK and EU regulatory regimes applicable to the Group's operations may result in additional regulatory burdens on the Group and may negatively impact business operations. Depending on the specific nature of any regulatory divergence, such divergence could result in significant additional expense and potentially increased compliance risk and may therefore have a material adverse effect on the Group's performance, business, results or financial condition.

In addition, changes to the regulatory authorities' approaches and expectations may result in increased scrutiny of the Group's compliance with existing laws and regulation, which may further result in the Group needing to change its internal operations, at increased cost. For example, the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians may persist and the FCA may continue to focus on retail conduct risk issues as well as conduct of business activities through its supervision activity which could result in higher expectations, or a different interpretation, of what is required to demonstrate compliance with conduct of business standards in certain markets.

Pensions Risk

Pensions risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Pensions risk exposure is focussed upon the risk to the Group's

financial position which arises from the need to meet its pension scheme funding obligations. In the event of a shortfall, the Group may be required, or may choose, to make additional payments to the Group's pension schemes which, depending on the amount, could have a material adverse effect on the Group's business, results of operations and prospects.

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

The Group's defined benefit pension scheme was closed to new entrants in August 1996. In September 2022, the scheme's trustees agreed terms for a buy-in with a regulated insurer. A buy-in is effectively the purchase of an insurance policy that forms part of the scheme's assets and pays an income equal to the members' benefits. The ultimate obligation to pay the members' benefits remains with the scheme but the insurance policy significantly de-risks the Group's balance sheet from future contributions.

Tax Risk

Tax risk is the risk of loss arising from changes in tax legislation or practice or the Group's interpretation or application of applicable tax legislation materially differing from the interpretation or application of such tax legislation by the relevant tax authorities. Changes in the basis of taxation, including as a result of government policy changes, could materially impact the Group's performance or performance of its obligations under the Securities. In addition, the Group is subject to periodic tax audits which could result in additional tax assessments relating to past periods of up to six years being made. Any such assessments could be material which might also affect the Group's financial condition in the future.

(C) Business risks

Structural Subordination and Dependencies

The Issuer is a holding company and therefore many of the Group's risks reside in Subsidiaries and affiliated companies. The Issuer's ability to meet its financial obligations is dependent upon the availability of cash flows from members of the Group through dividends, inter-company loans and other payments.

Claims by the creditors of the Issuer's Subsidiaries may adversely affect the ability of such Subsidiaries to support the Issuer in fulfilling its obligations. The Issuer's obligation to make payments on the Securities is solely an obligation of the Issuer and will not be guaranteed by any of its Subsidiaries or affiliates. Claims by the creditors of the Issuer's Subsidiaries will rank ahead of any claims of the Securityholders against the Issuer insofar as such claims may involve recourse to the assets of those Subsidiaries. By virtue of its dependence on its Subsidiaries, each of the risks described in this Risk Factors section which affect the Issuer's Subsidiaries will also indirectly affect the Issuer.

Risk Management

Effective risk management is integral to the Group's activities and business model. Risk reflects the probability that a situation may lead to financial, physical or reputational damage or loss, and is incurred through various sources including credit risk (retail and wholesale), market risk, operational risk, securitisation risk, concentration risk, liquidity and funding risk, reputational risk, strategic risk, pension obligation risk, residual value risk and legal and regulatory risk. The Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, including an Enterprise Risk Management Framework, which details the core risk management components and structures used by the Group and provides the board and senior management with oversight of the Group's financial position as well as the risks that may adversely affect it. The risk management framework and associated governance arrangements are designed to ensure a clear organisational structure with distinct, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the Group is, or may become, exposed. On an annual basis, the board reviews the effectiveness of the Group's risk management and internal control systems. However, such techniques, and the judgements that accompany their application, cannot anticipate every unfavourable event or the specifics and timing of every outcome. Accordingly, the Group's ability to successfully identify and balance risks and rewards, and to manage all material risks, is critical. Failure to manage such risks appropriately could have a significant adverse effect on the Group's business, financial condition and/or results of operations.

Reputational Risk

The Issuer considers a loss of reputation to be a significant risk to the Group's businesses. The Issuer sees reputational risk as the risk of detriment to stakeholder perception of the Group, leading to impairment of the business and its future goals, due to any action or inaction of the Group, its employees or associated third parties. Risk to the Group's reputation can arise from numerous sources, including (but not limited to) breaching or facing allegations of having breached legal and regulatory requirements (including sanctions, anti-bribery, money laundering and anti-terrorism financing requirements), failing to appropriately address potential conflicts of interest, employee misconduct, provision of inappropriate products or services, technology failures that impact upon customer service and accounts or the failure of intermediaries or third parties on whom the Group's businesses rely, failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered or generally poor business performance. In addition, how the Group's businesses are perceived to have supported their members, customers, employees and suppliers (as applicable) through periods of economic downturn and cost of living difficulties, as well as the Group's perceived conduct as a responsible and sustainable business, could have a material effect on the Group's brand and reputation, particularly at a time of heightened public interest in businesses taking a proactive, responsible approach to their operations, products and services.

The Group places significant importance on product governance and risk management at all levels of the organisation, and strives to demonstrate the highest level of integrity in all its activities, dedicating significant senior management time and other resources to ensure all employees are aware of the need to display the highest ethical standards in their day to day work. While the Group is exposed to risks relating to the operation and conduct of third parties' intermediary sales teams, ongoing rigorous due diligence is undertaken both through assurance reviews and customer complaint management.

The Group recognises that the ability to attract and retain customers and conduct business with its counterparties could be adversely affected if the Group's reputation or the Close Brothers brand is damaged. Failure to address, or appearing to fail to address, issues that give rise to reputational risk could damage the reputation of the Issuer and its Subsidiaries and materially and adversely affect the Group's business, financial condition, results of operations and prospects and could damage its relationships with its regulators.

Corporate transaction activity and integration of acquisitions

The Group evaluates and enters into corporate transactions (including acquisitions, investments and divestments) where it considers that such transactions align with its strategy and will enhance its services and increase the value of the business in the long term. However, given the inherent uncertainty involved in such corporate transactions, there can be no assurance that the Group will be able to identify suitable targets for acquisition or divestment or to implement its strategy in this area on favourable terms or at all, and there could be an adverse impact on the Group's businesses, results of operations and financial position as a result.

In particular, the Group has completed a number of acquisitions in the past and it may make further acquisitions of businesses in the future. New growth initiatives and potential acquisitions are assessed against both the Group's strategic objectives and its Model Fit Assessment Framework, to ensure consistency with the Group's strategic priorities and the key attributes of its business model. The corresponding risks may include delays and challenges which could arise in the process of integrating the acquired businesses into the Group. There can be no assurance that the Group has anticipated all problems associated with the acquired businesses, or that all potential losses associated with such acquired businesses, or with any businesses which may in future be acquired by the Group, may come to light prior to the expiration of any warranty and indemnity protections. The Group's businesses, results of operations and financial position could be adversely affected should there be any failure in the Group's due diligence of the operating and financial condition of these acquired businesses, or their integration into the Group's operations.

Competition Risk

The market for UK financial services is highly competitive and the Group experiences competition from traditional and new players, varying in both nature and extent across its businesses. Such competition may be expected to intensify in response to competitor behaviour, consumer demand, technological changes, the impact of consolidation, changing consumer habits as a result of wider market volatility, regulatory actions and/or other factors. The Group competes mainly with other providers of finance services and fintech providers. If the Group is not successful in implementing its strategy and retaining and strengthening customer relationships, its financial condition and results of operations may be materially and adversely affected by competition, including pricing competition or competition for savings.

Credit/counterparty Risk

The Group places deposits with, and may hold debt securities of, financial institution and non-banking financial institution counterparties, and such deposits and holdings of debt securities may be material in amount. The Group also enters into derivative contracts with counterparties, which create an exposure through the life of those contracts. Derivative contracts are vanilla in nature

and cash collateral is paid and/or received on a daily basis. While some of these amounts may be material, the counterparties are all regulated institutions with investment grade credit ratings assigned by international credit rating agencies and fall within the large exposure limits set by regulatory requirements. The credit quality of the counterparties with whom the Group places deposits, whose debt securities the Group holds, and with whom the Group transacts, is continuously monitored by the risk and compliance committees within the Group against established limits. The Group seeks to reduce its exposure to counterparty risks by holding the majority of excess liquidity through cash and balances at central banks (£1.9 billion of £2.2 billion treasury assets as at 31 July 2023). There can, however, be no assurance that the Group would not incur financial loss if any such counterparties were to default or fail.

Credit risk across the Group mainly arises through the lending activities. The Group remains exposed to credit losses if customers are unable to repay loans and any outstanding interest and fees. Failure to recover the amounts lent or the interest and fees associated with those loans or inability to recover from third parties under other arrangements treated as security for those loans could result in a bad debt charge. Other factors, such as rising and sustained high interest rates, combined with heightened market uncertainty and prevailing macroeconomic factors, including geopolitical uncertainty arising from the conflict in Ukraine, supply chain disruption, increased energy prices and rising inflation and interest rates, may also contribute to increased delinquencies in outstanding loans.

The Group seeks to maintain the discipline of its lending criteria both to preserve its business model and maintain an acceptable return that appropriately balances risk and reward. This is underpinned by a strong customer focus and credit culture that extends across people, structures, policies and principles. This in turn provides an environment for long-term sustainable growth and low, predictable loan losses.

To support this approach, the Group maintains a credit risk appetite framework in order to define and align credit risk strategy with its overall appetite for risk and business strategies as defined by the board. The Group Credit Risk Appetite Statement (“**CRAS**”) outlines the specific level of credit risk that the Group is willing to assume, utilising defined quantitative limits and triggers, and covers both credit concentration and portfolio performance measures; these are based on the following key principles:

- To lend within asset classes the Group is familiar with, and in markets it knows and understands.
- To operate as a predominantly secured, or structurally protected, lender against identifiable and accessible assets, and maintain conservative loan-to-value (“**LTV**”) ratios across the Banking division’s portfolios.
- To maintain a diversified loan portfolio (by business, asset class and UK geography), as well as a short average tenor and low average loan size.
- To rely on local underwriting expertise, with authority delegated from the Risk Committee, with ongoing central oversight.
- To maintain rigorous and timely collections and arrears management processes.

- To operate strong control and governance within the lending businesses overseen by a central group credit risk team.

Credit risk exposure within the Group's Securities division is limited as the business trades in the cash markets with regulated counterparties on a delivery versus payment basis such that any credit exposure is limited to price movements in the underlying securities. Counterparty exposure and settlement failure monitoring controls are in place.

Notwithstanding the Group's mitigation of this risk, counterparty risk and credit risk could adversely affect the Group's business, financial condition, results of operations and/or prospects.

Securities/Derivative Trading Risk

The Group's securities businesses are exposed to market movements deriving from trading in equity and fixed income securities. Senior management is closely involved in risk management processes, which are also monitored at the Group level. In addition, there are controls, supplemented by cash limits, on individual large or slow moving equity or fixed income positions and real time controls on the size and risk profile of trading books and of individual stocks within these are maintained. Treasury operations do not trade actively in money market instruments although they are held for liquidity purposes. Despite these measures, there can be no assurance that adverse market movements in the future will not have an adverse effect on the Group's financial performance in connection with the trading in equity and fixed income securities.

Foreign Exchange Risk

The Group recognises the extent to which its financial reporting (primarily balance sheet and profit and loss account) is affected by exchange rate movements. Translating foreign assets and liabilities from foreign to domestic currency may not affect the Group's cash flows, but may have an impact on the Group's reported earnings. The majority of the Group's activities are located in the British Isles and are transacted in Sterling.

The Group does, however, have material currency assets and liabilities primarily due to its euro lending and borrowing activities, which include deposit taking.

Foreign exchange risk is incurred across the Group and arises from:

- managing the funding requirements of the Banking division through deposit gathering and wholesale funding, and managing the associated foreign exchange risks;
- conducting foreign exchange payment services on behalf of the Group; and
- non-sterling investments.

The Group has a restricted appetite for foreign exchange risk. It avoids large open positions and sets individual currency limits to mitigate the risk. The Group's policy is to match currency assets and liabilities as closely as possible, by value and term, or with derivatives where necessary and to repatriate profits to Sterling on a regular basis. Failure to adequately manage fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of the Group's assets and securities.

Interest rate risk

Interest rate risk exists in interest-bearing assets (and liabilities), such as loans, due to the possibility of a change in the assets value, or income, resulting from a change in interest rates. The Group's policy is to match repricing characteristics of assets and liabilities naturally where possible or use interest rate swaps to secure the margin on its loans and advances to customers. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected by unforeseen events relating to interest rate risk in the future. Interest income is a substantial proportion of the Group's revenues and movements in interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, have the potential to materially affect the Group's earnings.

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to Benchmarks, with the progressive transition of activity to reference different rates and indices, with further changes anticipated.

Uncertainty as to the nature of such potential changes, alternative reference rates (including, without limitation, the Sterling Overnight Index Average, the Euro short-term rate and the Secured Overnight Financing Rate or term versions of those rates) or other reforms may adversely affect a broad array of financial products. Any of these factors may have a material adverse effect on the Group's results of operations, financial condition or prospects.

As part of the transition away from LIBOR to alternative reference rates, the Group's businesses transitioned to applying the Bank of England's base rate as a reference rate for calculating the rate of interest in relevant products instead of LIBOR.

Credit ratings downgrades

Credit ratings affect the cost and other terms upon which the Group, including the Issuer, is able to obtain funding and are an important reference for market participants in evaluating the Group and its products, services and securities. Rating agencies regularly evaluate the Group and certain members of the Group, as well as their respective debt securities. Their ratings are based on a number of factors, including the financial strength of the Group (or of the relevant member) as well as market-wide phenomena and any other conditions affecting the financial services industry generally, such as the general political and economic conditions in the UK. There can be no assurance that the rating agencies will maintain the Group's or the relevant member's current ratings or outlook, especially in light of the difficulties in the financial services industry and the financial markets in recent years. A credit downgrade, suspension or withdrawal could increase the cost of the Group's funding, limit access to capital markets and require additional collateral to be placed and, consequently, adversely affect the Group's interest margins and/or affect its liquidity position and weaken the Issuer's competitive position in certain markets.

(D) Operational risks

Operational and Fraud Risk

Operational risk is the risk of loss or adverse impact resulting from inadequate or failed internal processes, people and systems, or from external events, and is inherent in all of the Group's businesses. This includes the risk of loss resulting from fraud/ financial crime, cyber attacks and information security breaches. Industry, market and regulatory focus on operational resilience continue to emphasise stability of customer and financial sector outcomes. Recent public incidences of operational disruption to financial services firms and corresponding customer impact highlight the importance of operational resilience. The Group is exposed to various operational risks through its day-to-day operations, all of which have the potential to result in financial loss or adverse impact to the Group's reputation, business, financial condition, results of operations and prospects. Operational risk management within the Group is designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner. Operational risk is measured through key risk indicators ("KRIs"), observed impact of risk incidents, risk and control self-assessment and scenario analysis. KRIs are regularly monitored via local, divisional and Group committees and the population of KRIs is reviewed annually in line with the scheduled review of the Group's appetite. Operational risk incidents are identified and recorded in a common system. This facilitates root cause analysis, enables thematic and trend analysis, and enables the consistent delivery of management information to risk committees. In addition, the Group's investment into (i) cyber security, including expertise and tools and staff engagement (as described in "*Technology, Cyber-Security and Data Processing Risk*" below); and (ii) fraud prevention and detection capabilities aligned to the Group's risk profile, help to mitigate against operational risks. However, despite the Group's enterprise-wide risk management framework, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to operational risk arise in the future.

The Group is subject to a number of operational risks which may affect business continuity. Whilst business continuity plans are in place and regularly tested, there can be no assurances that the Group's business, results of operations and future prospects will not be adversely affected by unforeseen events impacting continuity of operations in the future. Such risks include disruption to the Group's infrastructure caused by terrorist acts, other acts of war, damage to the Group's properties (such as by flood or fire), failing public infrastructure systems, pandemic and people risk (as described further in "*People Risk*" below).

Internal and external persons may target the Group's systems or information to perpetrate fraud. Operational processes are designed to prevent, detect and respond to fraud attempts. Anti-fraud controls are continuously enhanced following a risk-based approach to limit the potential impact on the Group and its customers. However, occurrence of fraud could expose the Group to risk of loss, adverse regulatory consequences or litigation, each of which could have a material adverse effect on the business, results of operations and prospects of the Group.

Technology, Cyber-Security and Data Processing Risk

A number of the Group's businesses are highly reliant on their IT infrastructure in their daily operations, with the Group's businesses reliant on the existence of secure and stable technological platforms and the secure transmission of confidential information. The ability to continue to compete in many of the markets in which the Group operates necessitates an ability to respond to new technology and maintain appropriate levels of cyber-security. Failure to keep up to date across the Group's businesses could disrupt its business, result in the disclosure of confidential information and loss of data, result in increased fraudulent activity on customer accounts and customer detriment (leading to increased costs of remediation) and create

significant financial and/or legal and/or regulatory exposure and the possibility of damage to the Group's reputation and lead to a material impact on the Group's earnings.

Each of the Group's businesses invest in their IT platforms to ensure they are up to date and fit for purpose for the markets in which they operate. Additionally, the Group uses an industry-standard framework to anchor its cyber risk management, continually assessing and developing its maturity, and has strategic partnerships with external experts, participates in industry forums and utilises the three lines of defence model to manage cyber risk. Despite these measures, there can be no assurances that the Group's businesses will not be adversely affected by unforeseen events relating to technology risk in the future.

The UK Government and Bank of England have highlighted cyber threat as an issue across the financial sector. The maturity and sophistication of organised cyber-crime continues to increase and has been highlighted by a number of recent attacks in the financial and non-financial sectors, including payment services. Such attacks have also increased the public awareness of cyber-threats. As a result of the increased threat from cyber-crime, and industry-wide consideration of cyber threats arising from the Russia-Ukraine conflict, security controls have needed to keep pace to prevent, detect and respond to any threats or attacks. The constant threat posed by a cyber-attack directly impacts the increased risks associated with external fraud, data loss, data integrity and availability.

The Group's audit and risk functions conduct regular cyber threat reviews which include testing its internal controls framework and reviewing planned investment on cyber risk to ensure it remains well placed to detect and resist threats. However, although the Group maintains measures designed to ensure the integrity and resilience of key systems and processes, it may be the victim of cyber-attacks, including denial of service attacks and ransomware attacks, which could significantly disrupt the Group's operations and the services it provides to its customers or attacks designed to obtain an illegal financial advantage. Persons who circumvent the security measures could use the Group's or its clients' confidential information wrongfully which could expose the Group to a risk of loss, adverse regulatory consequences or litigation, each of which could have a material adverse effect on the business, results of operations and prospects of the Group. Additionally, any such attack or any other failure in the Group's IT systems could, among other things, result in a loss of confidence in it, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Third-party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Third-party risk management processes are embedded, utilising a risk based approach when entering into, monitoring, assuring and exiting from supplier and outsourcing relationships. However, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason or their performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third-party vendors could also entail significant delays and expense.

The Group is subject to regulation regarding the use of personal data, including that of its customers. The Group processes personal customer data (including name, address and bank details) as part of its business, some of which may be sensitive personal data, and therefore must comply with strict data protection and privacy laws and regulations. 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 seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third-party service providers, and also implements security measures to help prevent cyber-crime. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and 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, or if any loss of personal customer data were otherwise to occur, the Group could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations. The Group and its customers could also be targeted by other forms of fraudulent activity. Any of these events could also result in the loss of the goodwill of its customers and deter new customers which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

People Risk

The calibre, quality and expertise of employees is critical to the success of the Group. The Group's performance and ability to deliver its strategy could be adversely affected by increased market-wide risks relating to recruitment and retention, resulting in the loss of the services of certain key teams or individuals. The ability of the Group to attract, engage and retain key personnel is critical to the Group's prospects in the medium and long-term.

In order to manage these risks, the Group seeks to create an open, diverse, inclusive and supportive working environment for its employees, and monitors market expectations regarding evolving working practices (including in relation to flexible working). Opportunities for learning and development are offered to employees, including leadership development programmes. Reward scheme, incentive schemes and benefits offerings are regularly reviewed to ensure that the Group is successful in attracting, motivating and retaining the calibre of employees necessary to meet its objectives, while aligning such schemes with risk, compliance and conduct risk objectives. Despite these measures, there can be no assurances that the Group will continue to be able to attract and retain certain key teams and individuals. A failure to attract, or the loss of, such key personnel could adversely affect the Group's businesses, results of operations and financial position.

Conduct Risk

Conduct risk is the risk that the group's behaviours, or those of its colleagues, whether intentional or unintentional, result in poor outcomes for customers or the markets in which it operates. Conduct risk is measured through a number of business activities which form part of the Conduct Risk Framework. These activities span several areas where harm could occur, whether intentional or unintentional. The Group is exposed to conduct risk in its provision of products and services to customers either directly or via its distributors, and through other business activities that enable delivery. Failure to evidence delivery of good customer outcomes may lead to reputational harm, legal or regulatory sanctions and/or customer redress. The Group faces a significant volume of regulatory change, which is expected to continue over the near term and which is aimed at enhancing consumer protection and maintaining market integrity given the current macroeconomic environment. These risks are heightened in light of the prevailing economic environment, which is increasing pressure on consumers as a result of the higher cost of living. This may increase the number of individuals and businesses requiring credit in an environment

of rising interest rates. As a result, support for customers in financial difficulty, including vulnerable customers, is expected to increase.

Such an increase in support creates additional opportunities for conduct risk to arise, particularly in the context of a more stringent regulatory environment: the FCA has outlined requirements under the Consumer Duty, which introduces Principle 12 (setting a higher standard than the existing standards for retail business) and requires firms to act to deliver good outcomes for retail customers.

In addition, the Group is exposed to risks such as:

- outsourcing of customer service, or product delivery via third parties which may not have the same level of control, oversight or culture as the Group (potentially resulting in unfair outcomes for customers); and
- poor governance of colleagues' incentives or reward schemes, which may also drive poor customer outcomes.

Such risks can give rise to reputational damage and require remediation to address deficiencies; they may also result in regulatory intervention (including fines).

Whilst the Group has implemented a set of policies, standards, governance structures and reporting mechanisms in order to help mitigate these risks, and continues to develop a set of the same to mitigate new conduct risks arising out of the Consumer Duty, no assurance can be given that the strategy and framework will be completely effective in eliminating conduct risk, hence the potential remains for an adverse effect on the Group's results.

Factors which are material for the purpose of assessing the market risks associated with the Securities

(A) Risks related to the Securities generally

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

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 6, the Issuer may redeem the Securities, the Issuer is under no obligation to do so and Securityholders have no right to call for their redemption. Therefore, Securityholders have no ability to exit their investment, except (i) if the Issuer exercises its rights to redeem the Securities in accordance with their terms and applicable laws, (ii) by selling their Securities or, (unless a Non-Qualifying Relevant Event has occurred prior thereto) following the occurrence of the Trigger Event and the issue and delivery of Ordinary Shares, their Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made or where the Ordinary Shares issued upon Conversion are not all sold pursuant to the Conversion Shares Offer), (iii) through the cash component of any Alternative Consideration, or (iv) upon a Winding-Up, in which case the Securityholders may (if the Issuer has sufficient assets) receive some of any resulting liquidation proceeds following payment being made in full to all creditors that rank in priority to the Securityholders. The proceeds, if any, realised by any of

the actions described in (i) to (iv) of the preceding sentence may be substantially less than the principal amount of the Securities or amount of the investor's investment in the Securities.

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

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

The Securities may, subject as provided in Condition 6, be redeemed at the sole discretion of the Issuer (i) on any day falling in the period commencing on (and including) 29 November 2028 and ending on the First Reset Date or on any Reset Date subsequent to the First Reset Date, or (ii) at any time if a Capital Disqualification Event or Tax Event occurs, as further provided in Condition 6(c) and 6(d) respectively, in each case at their principal amount together with accrued but unpaid interest from the then most recent Interest Payment Date, excluding any interest which has been cancelled or deemed to be cancelled in accordance with the Conditions.

The Issuer's right to redeem the Securities is subject, inter alia, to Condition 3(b) in relation to the solvency of the Issuer, to the Issuer giving notice to the Supervisory Authority and obtaining Regulatory Approval (if, and only to the extent, required), to the redemption not being prohibited by UK CRR, to the non-occurrence of the Trigger Event and to the compliance by the Issuer with any alternative or additional pre-conditions to redemption set out in UK CRR from time to time.

Securityholders 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 Securities, whether or not a Capital Disqualification Event or a Tax Event occurs, and whether or not the Issuer elects to exercise any related redemption right.

There can also be no guarantee that either (i) the Issuer will satisfy any conditions imposed on it by the Supervisory Authority in respect of the redemption of the Securities, or that, if so, (ii) the Issuer will elect to exercise its option to redeem the Securities. Where the Issuer has the option to redeem the Securities, it may be economically rational for it to do so if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Securities. If the Securities are so redeemed, there can be no assurance that Securityholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Securities.

An optional redemption feature is likely to limit the market value of such Securities. During any period when the Issuer may elect to redeem the Securities or is perceived to be able to elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed, and this may also be the case prior to any such period.

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

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

Securityholders may not at any time demand repayment or redemption of such Securities. While, in a Winding-Up, the Holders will have a claim for an amount equal to the principal amount of the Securities plus any accrued and unpaid interest, excluding interest which is cancelled in accordance with the Conditions, such claim will be subordinated, and there can be no assurance that the Issuer would have sufficient assets to enable the claims of Securityholders to be paid in whole or in part – see *“The obligations of the Issuer are unsecured and subordinated and the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares”* below.

The sole remedy in the event of any non-payment of principal under the Securities, subject to certain conditions as described in Condition 10, is that the Trustee, on behalf of the Securityholders may, at its discretion, or shall at the direction of an Extraordinary Resolution of Securityholders of at least one quarter of the aggregate principal amount of the outstanding Securities, institute proceedings for the winding up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Securities in any winding up or other insolvency proceedings in respect of such non-payment.

The remedies under the Securities are more limited than those typically available to the Issuer's unsubordinated creditors, which may adversely affect the market price (if any) in the Securities from time to time.

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

Interest on the Securities will be due and payable only at the sole discretion of the Issuer and the Issuer may in its absolute discretion at all times and for any reason cancel, in whole or in part, any interest payment that would otherwise be scheduled to be paid on any Interest Payment Date.

In addition, and as further described below, the Issuer's ability to pay interest is also subject to additional restrictions, including:

- (A) Condition 3(b) in relation to the solvency of the Issuer at and immediately following the time of payment;
- (B) Condition 4(a)(ii) in relation to certain mandatory restrictions on the making of interest payments (including if the Issuer has insufficient Distributable Items, if the Supervisory Authority requires the Issuer to cancel payment, or if the Issuer is unable to make payment due to any applicable maximum distributable amount imposed under applicable prudential rules); and
- (C) Condition 7(a)(ii) in relation to the cancellation in full of interest in respect of any Interest Payment Date which falls on or after the date of a Trigger Event.

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

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

It is the Issuer's current intention that, whenever exercising its discretion to declare any dividend in respect of its Ordinary Shares, or its discretion to cancel interest amounts on the Securities, the Issuer will take into account the relative ranking of these instruments in its capital structure. However, the Issuer is not bound to do so, and may at any time depart from this policy at its sole discretion and without notice.

Any actual cancellation of interest, or any perceived increased likelihood of cancellation of any interest payment, whether as a result of the Issuer electing in its discretion to cancel interest payments or as a result of it being required to cancel interest payments in accordance with the Conditions, may adversely affect the market value of the Securities and could result in increased volatility and/or reduced liquidity in the market (if any) for the Securities.

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

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

The Issuer shall cancel any interest amount (or part thereof) which would otherwise be scheduled to be paid on any date (and such interest amount or the relevant part thereof shall not become due and payable on such date) if and to the extent that payment of such interest, together (if applicable) with any Additional Amounts payable thereon, would, when aggregated together with any interest payments or distributions which are paid or required to be paid in the then current financial year of the Issuer on the Securities and all other "own funds" items of the Issuer

(excluding, among other things, Tier 2 Capital instruments), exceed the amount of the Distributable Items of the Issuer as at such date.

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

The Issuer's Distributable Items may be affected by a number of factors, including many which are outside the control of the Issuer – see *“As the Issuer is a holding company, investors in the Securities will be structurally subordinated to creditors of the Issuer's operating subsidiaries. Furthermore, the level of the Issuer's Distributable Items is affected by a number of factors, including its ability to receive payments from its subsidiaries, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Securities”* below.

The Issuer may be prohibited from making payments of interest on the Securities due to the application of maximum distributable amount restrictions

The Issuer will also be required to cancel any interest amount (or part thereof) which would otherwise be scheduled to be paid on any date (and such interest amount or the relevant part thereof shall not become due and payable on such date) if and to the extent that the aggregate of the relevant interest amount, together (if applicable) with any Additional Amounts payable thereon, and the amounts of any distributions of the kind referred to in rule 4.3(2) of Chapter 4 (Capital Conservation Measures) of the Part of the PRA Rulebook with title “Capital Buffers” (as the same may be amended or replaced) and/or referred to in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Issuer or the Group is failing to meet any relevant requirement or any buffers relating to such requirements (in each case to the extent then applicable to the Issuer or the Group) exceeds the Maximum Distributable Amount (if any) applicable to the Issuer or the Group as at such date.

A Maximum Distributable Amount will apply if the Group is failing to meet its combined buffer requirement (in addition to its minimum capital requirement) in full, or if payment of interest would cause the Group to fail to meet its combined buffer requirement in full. The Group's ability to meet its combined buffer requirement will depend upon a number of factors, many of which are outside the Group's control, and will include general economic conditions, the financial performance of the Group and the amount and nature of capital requirements with which it is required to comply from time to time under the applicable prudential rules.

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

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

Condition 3(b) provides that (except in a Winding-Up or in relation to the cash component of any Alternative Consideration) all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and that no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer shall be considered to be “**solvent**” at a particular time if (x) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (y) the Issuer’s Assets exceed its Liabilities.

Any interest payment in respect of which Condition 3(b) is not satisfied shall not be due and shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation.

Furthermore, non-payment of any interest payment or principal as a result of the solvency condition in Condition 3(b) not being satisfied shall not constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and Securityholders will not be entitled to accelerate the principal of the Securities or take any other enforcement as a result of any such non-payment.

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

The Issuer is a holding company and conducts substantially all of its operations through its subsidiaries. The claims of the Securityholders under the Securities will be structurally subordinated to the claims of creditors of the Issuer’s subsidiaries (in addition to being subordinated within the Issuer’s creditor hierarchy as further described below in “*The obligations of the Issuer are unsecured and subordinated and the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares*”). The Issuer’s rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary’s creditors (including subordinated creditors) and any preference shareholders (if any), except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. The Issuer’s subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer’s payment obligations under the Securities.

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

Further, as a holding company, the level of the Issuer’s Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer’s future Distributable Items, and therefore the Issuer’s ability to make interest payments on the Securities, are a function of the Issuer’s existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer’s operating subsidiaries up the Group

structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments. As at 31 July 2023, the Distributable Items of the Group were £401.9 million.

The ability of the Issuer's subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements and/or expectations, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. Further, the Issuer's rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and any preference shareholders (if any), except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims.

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

Rules made by the PRA set out capital buffer requirements that are in addition to the minimum capital requirements (referred to as "Pillar 1") and additional, firm-specific, capital requirements (referred to as "Pillar 2A" – these capital requirements are intended to capture risks not captured in the Pillar 1 requirement) and are required to be met with Common Equity Tier 1 (broadly, ordinary share capital, associated share premium and retained earnings). These buffers comprise a capital conservation buffer, an institution-specific countercyclical buffer and (if relevant): (i) a global systemically important institutions ("**G-SII**") buffer; (ii) an other systemically important institutions ("**O-SII**") buffer; and/or (iii) a systemic risk buffer. The "combined buffer requirement" is, broadly, the combination of the capital conservation buffer and the institution-specific countercyclical buffer applied cumulatively with the higher of the G-SII buffer, O-SII buffer and systemic risk buffer, in each case as applicable to the institution. The Group is not, at present, subject to any G-SII, O-SII or systemic risk buffer, but some or all of these buffers may be applicable to the Group in the future.

Firms which failing to meet the "combined buffer requirement" must notify the PRA as soon as practicable, and are restricted from making certain discretionary payments, including any payments relating to common equity tier 1 such as the Ordinary Shares, variable remuneration and payments on Additional Tier 1 capital instruments such as the Securities. The Group would be considered to fail to meet the combined buffer requirement in the event that it does not have own funds in an amount and of the quality needed to meet at the same time: (i) the combined buffer requirement; (ii) its 4.5 per cent. Pillar 1 Common Equity Tier 1 ("**CET1**") requirement and its Pillar 2A CET1 requirement; (iii) its 6 per cent. Pillar 1 Tier 1 requirement and its Pillar 2A Tier 1 requirement; and (iv) its 8 per cent. Pillar 1 total capital requirement and its Pillar 2A total capital requirement.

Firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers above their minimum leverage ratio requirements will not face automatic restrictions on their distributions; however, where a firm does not hold an amount of Common Equity Tier 1 that is equal to or greater than its countercyclical leverage ratio buffer (“**CCLB**”) (currently calibrated at 35 per cent. of the firm-specific countercyclical capital buffer rate) or its additional leverage ratio buffer (“**ALRB**”) (currently calibrated at 35 per cent. of the G-SII or O-SII buffer rate) as applicable, it must notify the PRA immediately and prepare a capital plan and submit it to the PRA. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group. The PRA also has the power to set an additional capital requirement on a consolidated basis through a leverage ratio group add-on. The Group’s capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. The PRA also has additional tools to require firms to hold additional capital, including, for example, a “PRA buffer” (which replaced the PRA Capital Planning Buffer in 2015), which forms part of the Pillar 2B capital buffers and supplements the combined buffer requirement. The PRA buffer must be met fully with CET1, in addition to the CET1 used to meet the Pillar 1 and Pillar 2A capital and combined buffer requirements. A failure to satisfy the PRA buffer, if one were to be imposed on the Group, could result in the Group being required to prepare a capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group.

Investors may not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time. Additional restrictions may also apply if the Group does not hold sufficient own funds and eligible liabilities to meet capital buffer requirements (including the additional buffer requirements), leverage buffer requirements and the minimum requirement for eligible liabilities and own funds (“**MREL**”), which is a requirement to maintain sufficient own funds and liabilities to support an orderly resolution of the Group according to its preferred resolution strategy. A breach of any of the requirements above could result in the need to prepare a capital restoration plan, which may provide for or result in restrictions on distributions on Additional Tier 1 capital instruments such as the Securities. The preferred strategy for any resolution of the Group is currently a modified insolvency process and, as such, the Group is not presently subject to any MREL requirements in excess of its own funds requirements.

The Group is not subject to any binding leverage ratio requirement under the PRA’s leverage ratio framework, but is nevertheless required to calculate its leverage ratio position on an ongoing basis, and is expected to ensure that its leverage ratio (as calculated in accordance with applicable PRA rules) does not ordinarily fall below 3.25 per cent.

In addition, as the approved holding company of a UK credit institution, the Issuer is required to maintain specified levels of capital on a consolidated basis and is subject to direct supervision to ensure compliance with these requirements. These requirements could make it impossible for the Issuer to make interest payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements or buffer requirements.

The interaction of restrictions on distributions with, and the impact of, the capital requirements and buffers and leverage framework applicable, as well as the current implementation of MREL requirements, remain uncertain in many respects. Changes to these rules could also result in

more own funds and eligible liabilities being required to be issued by a financial institution in order to prevent maximum distributable amount restrictions from applying. As a result of such uncertainty, investors may not be able to anticipate whether the Issuer's ability to make interest payments in respect of Additional Tier 1 capital instruments such as the Securities may be reduced.

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

From and including the Issue Date, the Securities will initially earn interest at a fixed rate of 11.125 per cent. per annum to, but excluding, the First Reset Date. However, from the First Reset Date and each Reset Date thereafter, the interest rate will be reset to the sum of the applicable 5-year Gilt Rate and the Margin as calculated by the Agent Bank on the relevant Reset Determination Date) (each such interest rate, being a "**Reset Interest Rate**"). The Reset Interest Rate for any Reset Period could be less than the Initial Rate of Interest or the Reset Interest Rate for prior Reset Periods and could affect the market value of an investment in the Reset Securities.

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

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

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

If a Winding-Up occurs at any time on or following the date on which a Trigger Event occurs but the Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on the Conversion Date have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer) such amount, if any, as would have been payable to a Securityholder in a Winding-Up if the Conversion Date had occurred immediately before the occurrence of a Winding-Up (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding up or liquidation).

Further, subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off or counterclaim in respect of any amount owed to it by the Issuer arising under or in connection

with the Securities and each Securityholder shall, by virtue of being the holder of any Security, be deemed to have waived all such rights of set-off and counterclaim.

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

Furthermore, subject to complying with applicable regulatory requirements, the Issuer expects from time to time to incur or guarantee additional indebtedness or other obligations that will constitute senior and subordinated indebtedness, and the Securities do not contain any provisions restricting the ability of the Issuer or its subsidiaries to incur or guarantee senior or subordinated indebtedness. Any such additional indebtedness, guarantees and other obligations which rank in priority to the Securities could, if a Winding-Up occurs, reduce the amounts (if any) recoverable by the Securityholders in such Winding-Up.

Although the Securities may (subject always to the right or obligation of the Issuer to cancel interest payments, in whole or in part, in accordance with the Conditions) pay a higher rate of interest than comparable securities which are not so subordinated, there is a significant risk that an investor in the Securities will lose all or some of its investment should the Issuer become insolvent, since all higher-ranking creditors will first be paid in full, and only if any assets of the Issuer remain available following such payments will any amounts be available for payment in respect of the Securities (and other obligations ranking *pari passu* therewith).

In addition, investors should be aware that, upon Conversion of the Securities following a Trigger Event, Securityholders will be, effectively, further subordinated as they will be treated as, and subsequently become, holders of Ordinary Shares, even if other existing subordinated indebtedness and preference shares remain outstanding. There is a risk that Securityholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Securityholders or of securities subordinated to the same or greater extent as the Securities, in winding-up proceedings or otherwise. Furthermore, if a Trigger Event occurs after the occurrence of a Non-Qualifying Relevant Event, then in lieu of Conversion of the Securities, the Securities would be written off and cancelled in full, and Securityholders would lose their entire investment in the Securities. See "*If a Relevant Event occurs, the Securities may be convertible into shares in an entity other than the Issuer or may be fully written down*" below.

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

Upon Conversion following the Trigger Event, the Securities will be converted into Ordinary Shares on the Conversion Date. Once the Ordinary Shares have been issued and delivered to

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

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

For the avoidance of doubt, the Securityholder will have no right to convert their Securities into Ordinary Shares at their election, and Conversion of the Securities will occur only following the occurrence of a Trigger Event.

The Trigger Event shall occur if at any time the Group's Common Equity Tier 1 Capital Ratio (which will be calculated on a consolidated basis) is less than 7.00 per cent. As at 31 July 2023, the Group's CET1 Capital Ratio was 13.3 per cent. when applying permitted transitional arrangements (relating to IFRS 9) under the UK CRR, and would have been 13.0 per cent. if disregarding such arrangements (i.e. on a fully loaded basis). The Conditions provide that the Group's Common Equity Tier 1 Capital Ratio for the purposes of determining whether a Trigger Event occurs will from time to time be calculated without applying any transitional, phasing in or similar provisions only if and to the extent the Supervisory Authority then requires them to be disregarded for the purpose of determining whether a Trigger Event has occurred. The Issuer has elected to apply IFRS 9 transitional arrangements in the calculation of the Group's Common Equity Tier 1 capital position, including for the purposes of determining the Group's Common Equity Tier 1 Capital Ratio under the Conditions. Under the Conditions, the Group's Common Equity Tier 1 Capital Ratio is therefore calculated on the basis of those arrangements, and the determination of the Group's Common Equity Tier 1 Capital Ratio on the basis required under the Conditions will change upon the expiry of the IFRS 9 transitional arrangements. The basis of determination may also change if further transitional arrangements are introduced in the future and/or if the PRA requires the disapplication of the IFRS 9 transitional arrangements for the purposes of determining the Group's Common Equity Tier 1 Capital Ratio, or otherwise

determines that this or other current or future transitional arrangements should be applied or disapplied for those purposes. It is therefore possible that the reported CET1 ratios of the Group from time to time may differ from the calculation of the Group's Common Equity Tier 1 Capital Ratio under the Conditions.

For so long as any Security remains outstanding, whenever the Issuer publishes the common equity tier 1 ratio of the Group as at any date in its regular Pillar 3 Disclosures (or, at the Issuer's election, as part of its published annual or interim financial statements), it intends also to publish, as part of those disclosures or on its website, or will otherwise make available for inspection by the Securityholders, the Group's Common Equity Tier 1 Capital Ratio calculated in accordance with these Conditions as at the same date (in the event this is different); however, there can be no assurance that this will continue to be the case.

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

Furthermore, if a Trigger Event occurs after the occurrence of a Non-Qualifying Relevant Event, then in lieu of Conversion of the Securities, the Securities would be written off and cancelled in full, and Securityholders would lose their entire investment in the Securities. See *"If a Relevant Event occurs, the Securities may be convertible into shares in an entity other than the Issuer or may be fully written down"* below.

The circumstances surrounding or triggering a Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its business in such a way, or take any mitigating actions, to maintain or restore the Group's Common Equity Tier 1 Capital Ratio to avoid the occurrence of the Trigger Event. Any future losses at the Group level and actions the Group takes could result in the Group's Common Equity Tier 1 Capital Ratio falling and the Trigger Event occurring

The occurrence of the Trigger Event and, therefore, Conversion, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's Common Equity Tier 1 Capital Ratio periodically, the PRA or the such other Supervisory Authority may instruct the Issuer to calculate such ratio as at any date, including if the Issuer is subject to recovery and resolution actions by the Resolution Authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion. As such, Conversion could occur at any time, and based on information which has not yet been made public. Moreover, in circumstances where the Issuer is failing or deemed likely to fail, it is likely that the Resolution Authority would allow the Trigger Event to occur rather than to resort to the use of public funds to support the Issuer. The Securities may also be subject to the Resolution

Authority's powers to write down or convert certain liabilities in those circumstances (see "*Risks relating to the Banking Act 2009*" below).

The Group's Common Equity Tier 1 Capital Ratio could be affected by, among other things, changes in, or the growth of, the Issuer's business and the level of the Issuer's future earnings or any losses incurred, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including Common Equity Tier 1 and Risk Weighted Assets (each of which shall be calculated by the Issuer and such calculation shall be binding on the Trustee and on the Securityholders)), actions that the Issuer is required to take at the direction of the Supervisory Authority, costs associated with regulatory changes, including in respect of any regulatory non-compliance, and the Group's ability to manage Risk Weighted Assets in its ongoing businesses. In addition, the Group has capital resources and Risk Weighted Assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the pounds sterling equivalent value of foreign currency denominated capital resources and Risk Weighted Assets. Actions that the Group takes could also affect the Group's Common Equity Tier 1 Capital Ratio, including causing it to decline. The Conditions do not impose any obligation on the Issuer to increase its Common Equity Tier 1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way or take mitigating actions in order to prevent the Group's Common Equity Tier 1 Capital Ratio from falling below 7.00 per cent., to maintain or increase the Group's Common Equity Tier 1 Capital Ratio or to otherwise consider the interests of the Securityholders in connection with any of its business decisions that might affect the Group's Common Equity Tier 1 Capital Ratio.

While the Directors of the Issuer will have regard to the interests of all stakeholders of the Issuer and the Group in assessing strategic business decisions, they are under no obligation to prioritise the interests of Securityholders over other stakeholders, and may determine that, in the context of any given decision, the rights of other stakeholders outweigh those of the Securityholders. Securityholders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including the Group's capital position, regardless of whether such decisions result in, or increase the likelihood of, the occurrence of a Trigger Event or any requirement on the Issuer to cancel interest payments in respect of the Securities, notwithstanding that such decisions could cause Securityholders to lose all or part of the value of their investment in the Securities.

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

Because of the inherent uncertainty regarding whether the Trigger Event will occur and there being no obligation on the Issuer's part under the Conditions to seek to prevent its occurrence, it will be difficult to predict when, if at all, Conversion could occur. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Fluctuations in the Group's Common Equity Tier 1 Capital Ratio may be caused by changes in the amount of Common Equity Tier 1 and Risk Weighted Assets as well as changes to their respective definitions under the

capital adequacy standards and guidelines set by the Supervisory Authority. Any indication that the Group's Common Equity Tier 1 Capital Ratio is moving towards the level which would cause the occurrence of the Trigger Event may have an adverse effect on the market price and liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's subordinated debt securities. In addition, the risk of Conversion could drive down the price of the Ordinary Shares and have a material adverse effect on the market value of any Ordinary Shares received upon Conversion.

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

Under the UK CRR, the Issuer is required to calculate the Group's capital resources for regulatory purposes on the basis of Common Equity Tier 1 and its Risk Weighted Assets, which represent assets adjusted for their associated risks. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

As at 31 July 2023, the Group's CET1 Capital Ratio was 13.3 per cent. when applying permitted transitional arrangements (relating to IFRS 9) under the UK CRR, and would have been 13.0 per cent. if disregarding such arrangements. The Group's Common Equity Tier 1 Capital Ratio is a non-EU IFRS measure, and the Issuer's interpretation of CRD IV and the basis of the Issuer's calculation of this financial measure (on both a fully loaded and a transitional basis) may be different from those of other financial institutions.

Investors should be aware that any changes to the UK CRR regime (including as a result of the implementation of Basel 3.1 and revisions to the internal ratings-based approach for credit risk) may individually and/or in the aggregate negatively affect the Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of a Trigger Event occurring, which would lead to Conversion. Upon Conversion, provided that the Issuer issues and delivers the Ordinary Shares to the Conversion Shares Depositary in accordance with the terms described herein, investors will have no further rights against the Issuer. In addition, the realisable value of the Ordinary Shares may be below the Conversion Price. At the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

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

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

If all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, the *pro rata* share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated,

if necessary, into pounds sterling and less any taxes and foreign exchange transaction costs. If some but not all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, (a) the *pro rata* share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated, if necessary, into pounds sterling and less any taxes and foreign exchange transaction costs) together with (b) the *pro rata* share of the Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares. If no Conversion Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive the *pro rata* share of the Ordinary Shares attributable to their Securities.

No interest or other compensation is payable in respect of the period from the Conversion Date to the date of delivery of the Ordinary Shares or the cash proceeds from the sale of the Ordinary Shares in the circumstances described above. Furthermore, neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer that a Conversion Shares Offer be made, will preclude the Issuer from undertaking a rights issue or other equity issue at any time on such terms as the Issuer deems appropriate in its sole discretion, including, for the avoidance of doubt, but without limitation, the offer of Ordinary Shares at or below the Conversion Price.

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

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

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

Although the Issuer currently expects that beneficial interests in the Securities will be transferrable between the Conversion Date and the Settlement Date, subject to any earlier suspension of trading in the clearing systems as discussed below, there is no guarantee that this will be the case. Accordingly, the price received for the sale of any beneficial interest under a Security during this period may not reflect the market price of such Security or the underlying Ordinary Shares.

Furthermore, transfers of beneficial interests in the Securities may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Securities is suspended by the clearing system at an earlier time. In such a situation it may not be possible to transfer beneficial interests in the Securities in such clearing system and trading in the Securities may cease. In particular, the Issuer has been advised by the clearing systems that it will suspend

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

There may be a delay in Securityholders being able to transfer any Conversion Shares following Conversion

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

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

In order to obtain delivery of the Ordinary Shares or Alternative Consideration, as applicable, following Conversion, a Securityholder must deliver a Conversion Notice (and the relevant Securities, if applicable) to the Conversion Shares Depository. The Conversion Notice must contain certain information, including the holder's CREST account details. Accordingly, Securityholders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Ordinary Shares or the Ordinary Share component, if any, of any Alternative Consideration, as applicable. If a Securityholder fails to properly complete and deliver a Conversion Notice, the Conversion Shares Depository shall continue to hold the relevant Ordinary Shares or the Alternative Consideration, as the case may be, until a Conversion Notice (and the relevant Securities, if applicable) is or are so validly delivered. However, the relevant Securities shall be cancelled on the applicable Long-Stop Date and any Securityholder delivering a Conversion Notice after the Long-Stop Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or Alternative Consideration, as applicable, satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or Alternative Consideration. Neither the Issuer nor the Conversion Shares Depository shall have any liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Alternative Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Notice on a timely basis or at all.

As the Issuer is the holding company of a regulated banking group, obtaining a holding of Ordinary Shares above certain levels may require the Securityholder to obtain certain regulatory approvals and/or subject them to additional regulation. A Securityholder wishing to obtain delivery of Ordinary Shares in such circumstances shall, in addition to the requirements in the preceding paragraph, be required to demonstrate, prior to delivery of Ordinary Shares to it, that it has received and complied with any such approvals or requirements. Each potential investor in the Securities should consult its legal advisers with respect to any potential consequences of it becoming entitled to receive Ordinary Shares in such circumstances.

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

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

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

Securityholders have limited anti-dilution protection

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

The Conversion Price is fixed upon issue of the Securities, and will be adjusted by the Conversion Calculation Agent only in the limited circumstances provided in Condition 7(e), including in the event that there is a consolidation, reclassification, redesignation or subdivision of the Ordinary Shares, an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, an Extraordinary Distribution or an issue of Ordinary Shares or certain other securities to shareholders as a class by way of rights, in each case as set out, and to the extent provided, in Condition 7(e). There may be many other factors, events or actions, including corporate actions within the control of the Issuer, which could affect the market value of an Ordinary Share but which will not result in any adjustment to the Conversion Price, and which could therefore reduce the aggregate market value of the Ordinary Shares to be issued upon Conversion of the Securities.

The Conversion Price adjustments may be subject to any modifications as an Independent Adviser shall determine to be appropriate, including for certain situations falling between the Conversion Date and the Settlement Date. Any New Conversion Price following a Qualifying Relevant Event will be similarly adjusted by the Conversion Calculation Agent, subject to any modifications by the Independent Adviser.

There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of other convertible securities. Accordingly, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Securities.

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

If a Qualifying Relevant Event occurs, then following Conversion, the Securities shall become convertible into the share capital of the Acquiror (as more fully described under Condition 7(f)) at the New Conversion Price. There can be no assurance as to the nature of any such Acquiror, or of the risks associated with becoming an actual or potential shareholder in such Acquiror and accordingly a Qualifying Relevant Event may have an adverse effect on the value of the Securities.

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

In the case of a Non-Qualifying Relevant Event, the Securities will not be subject to Conversion unless the Trigger Event occurs prior to the occurrence of the Relevant Event. If the Trigger Event occurs following the Non-Qualifying Relevant Event, the outstanding principal amount of each Security will be automatically written down to zero and the Securities will be cancelled in their entirety, and no compensation or any other amounts will be payable to the Securityholders. Securityholders will be deemed to have irrevocably waived their right to receive repayment of the aggregate principal amount of the Securities so written down and all accrued and unpaid interest and any other amounts payable on the Securities will be cancelled, as more fully described under Condition 7(f)(iv). There can be no assurance that a Relevant Event will not be a Non-Qualifying Relevant Event, in which case investors would, if a Trigger Event were to occur after such Non-Qualifying Relevant Event, lose their entire investment in the Securities.

Receipt by the Conversion Shares Depository of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities

Following the Trigger Event, the relevant Ordinary Shares will be issued and delivered by the Issuer to the Conversion Shares Depository which, subject to a Conversion Shares Offer, will hold the Ordinary Shares on behalf of the Securityholders. Receipt by the Conversion Shares

Depository of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities and a Securityholder shall, with effect on and from the Conversion Date, only have recourse to the Conversion Shares Depository for the delivery to it of the relevant Ordinary Shares or, if the Issuer elects that a Conversion Shares Offer be made as described in Condition 7(d)(i), of any Alternative Consideration to which such Securityholder is entitled as described herein. The Issuer shall not have any liability for the performance of the obligations of the Conversion Shares Depository.

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

Securityholders may be subject to disclosure obligations and/or may need approval from the Issuer's regulator under certain circumstances

As the Securityholders may receive Ordinary Shares if a Trigger Event occurs, an investment in the Securities may result in Securityholders having to comply with certain disclosure and/or regulatory approval requirements pursuant to applicable laws and regulations. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches or crosses 3 per cent. and every percentage point thereafter.

Furthermore, as the Issuer is the holding company of a regulated banking group, obtaining a holding of Ordinary Shares above certain levels may require the Securityholder to obtain certain regulatory approvals and/or subject them to additional regulation. A Securityholder wishing to obtain delivery of Ordinary Shares in such circumstances shall be required to demonstrate, prior to delivery of Ordinary Shares to it, that it has received and complied with any such approvals or requirements.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Securities. Accordingly, each potential investor should consult its legal advisers with respect to any potential consequences of it becoming entitled to receive Ordinary Shares in the event of the Conversion of the Securities.

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

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

Securityholders will be responsible for any taxes following Conversion

The Issuer will not be liable for any taxes or capital, stamp, issue, registration or transfer taxes or duties arising on Conversion or that may arise or be paid as a consequence of the issue and delivery of Conversion Shares upon Conversion and/or the payment or delivery of any Alternative Consideration. Securityholders must pay all taxes and capital, stamp, issue, registration and transfer taxes and duties arising on Conversion in connection with the issue and delivery of Conversion Shares to the Conversion Shares Depository on behalf of such Securityholder and all taxes or capital, stamp, issue, registration and transfer taxes and duties arising as a consequence of any disposal or deemed disposal of its Securities (or any interest therein) and/or the issue or delivery to it of any Conversion Shares (or any interest therein) and/or the payment or delivery to it of any Alternative Consideration (or any interest therein). The cash component of any Alternative Consideration will be reduced by a pro rata amount of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid in connection with the issue and delivery of Conversion Shares to the Conversion Shares Depository, converted, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs).

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

The Securities are complex financial instruments that involve a high degree of risk. As a result, an investment in the Securities and the Ordinary Shares that may be issued upon a Conversion will involve certain increased risks. Each potential investor of the Securities 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 Securities (including but not limited to, the effect or likelihood of cancellation of interest payments (in whole or in part) and of the occurrence of a Trigger Event for the Securities which results in loss absorption by investors), the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where such potential investor's financial activities are principally denominated in a currency other than pounds sterling, and the possibility that interest payments (in whole or in part) and the entire principal amount of the Securities could be lost, including following the exercise by the Resolution Authority of any Bail-in Power;
- (iv) understand thoroughly the terms of the Securities, such as the provisions governing interest cancellation and Conversion (including, in particular, calculation of the Group's Common Equity Tier 1 Capital Ratio, as well as under what circumstances a Trigger Event will occur), and be familiar with the behaviour of any relevant indices and financial markets, including the possibility that the Securities may become subject to write down or conversion if the UK Bail-in 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 Securities unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the likelihood of interest cancellation or Conversion into Ordinary Shares and the value of the Securities, 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 this Offering Circular or incorporated by reference herein.

Legality of purchase

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, 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. 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) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

The Issuer will not be required to gross up payments of principal in the event of any withholding or deduction for or on account of taxes

All payments by or on behalf of the Issuer in respect of the Securities will be made without withholding or deduction for, or on account of, any taxes in the Taxing Jurisdiction (as defined in the Conditions), unless required by law. While, in the event of any such withholding or deduction on payments of interest, the Issuer may (subject as provided in Condition 8) be required to pay

additional amounts to Securityholders, no such additional amounts will be payable in the event of any such withholding or deduction in respect of payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Securities, Securityholders would receive less than the full amount due under the Securities and the market value of the Securities may be adversely affected.

The Issuer may substitute the Securities or vary their terms without consent of the Securityholders

If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, in its sole discretion but subject to Condition 6(g), without any requirement for the consent or approval of the Securityholders, at any time either substitute all (but not some only) of the Securities for, or vary the terms of the Securities 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 Securities, there can be no assurance that, whether due to the particular circumstances of each Securityholder or otherwise, such Compliant Securities will be as favourable to each Securityholder in all respects.

Changes in law may adversely affect the rights of Holders

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Securities. The Conditions are based on English law in effect as of the date of issue of the relevant Securities. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Securities, which may have an adverse effect on an investment in the Securities. In addition, any change in law or regulation that triggers a Tax Event or a Capital Disqualification Event would entitle the Issuer, at its option (subject to, amongst other things, obtaining prior Regulatory Approval), to redeem the Securities, in whole but not in part, as provided under Condition 6(c) or 6(d), as the case may be.

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

The Securities will upon issue be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, Luxembourg, a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Securities in definitive form. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented a Global Certificate, investors will be able to trade their beneficial interests only through the relevant Clearing System. While the Securities are represented by a Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to or to the order of the registered holder of the Global Certificate, which will direct or procure that the relevant payments are made to the relevant Clearing Systems. A Holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

Modification and waivers and substitution

The Conditions and the Trust Deed contain provisions for calling meetings of Securityholders (which may be at a physical location or by way of conference call or video conference, or a combination of the foregoing) to consider matters affecting interests generally. The Trust Deed also provides that a resolution in writing 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 Securities who for the time being are entitled to receive notice of and vote at a meeting of Securityholders, 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 Securityholders, including Securityholders 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 Securityholders who voted in a manner contrary to the majority. For further information, see Condition 13 and 14.

The Conditions also provide that the Trustee may, without the consent of Securityholders, subject to certain exceptions and conditions, agree to any modification of, or waiver or authorisation of any breach or proposed breach of, any provisions of the Securities or to the substitution of another company as principal debtor under the Securities in place of the Issuer in the circumstances described in Conditions 13(f) and 14.

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

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

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

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

Integral multiples of less than £200,000

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

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

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

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

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

*Risks relating to the Banking Act 2009 (the “**Banking Act**”)*

Under the Banking Act, substantial powers have been granted to HM Treasury, the Bank of England, the FCA and the PRA (the FCA and PRA, together with HM Treasury and the Bank of England, the “**Authorities**”) as part of the SRR. These powers can be exercised, as applicable, by the Authorities in respect of a UK bank, UK building society, UK investment firm or UK recognised central counterparty (each a “**relevant entity**”) in circumstances in which the Authorities consider its failure has become likely and if certain other conditions are satisfied (depending on the relevant power) for example, to protect and enhance the stability of the financial system of the UK. Certain of these powers may also be used in respect of a UK incorporated company which meets certain conditions and is in the same group as a relevant entity (such as the Issuer), an EU incorporated credit institution or investment firm or a third country incorporated credit institution or investment firm (a “**UK banking group company**”).

The SRR consists of five stabilisation options and two special insolvency procedures (bank administration and bank insolvency). The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” wholly owned by the Bank of England; (iii) transfer of all or part of the business of the relevant entity to an asset management vehicle owned and controlled by the Bank of England or HM Treasury; (iv) writing down (including to zero) certain claims of unsecured creditors of the relevant entity (including Securities) and/or converting certain unsecured debt claims (including Securities) to equity (the “**bail-in option**”), which equity could also be subject to any future cancellation, transfer or dilution; and (v) temporary public ownership (nationalisation) of all or part of the relevant entity or its UK holding company.

In addition, if the Authorities determine that the relevant entity or UK banking group company meets certain conditions (but no resolution action has yet been taken) or that the relevant entity or group will no longer be viable unless the relevant capital instruments are written-down or converted (the point of non-viability), the Banking Act provides the Authorities with the power to permanently write-down (including to zero) or convert capital instruments, such as the Securities, into equity before any other resolution action is taken. Any shares issued to holders of such capital instruments upon any such conversion into equity may also be subject to any future cancellation, transfer or dilution.

The following paragraphs set out some of the possible consequences of the exercise of the powers under the SRR.

The terms of the Securities may be modified without the consent of the Securityholders

If the Issuer were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities), property transfer powers (including powers for partial transfers of property, rights and liabilities in respect of the Issuer) and resolution instrument powers (including powers to make special bail-in provisions). Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (including the Securities) without the consent of the Securityholders, including (among other things):

- transferring the Securities notwithstanding any restrictions on transfer and free from any trust, liability or encumbrance;
- delisting the Securities;
- writing down the principal amount of the Securities (including to zero) and/or converting the Securities into another form or class (which may include, for example, conversion of the Securities into equity securities);
- modifying any interest payable in respect of the Securities, the maturity date or the dates on which any payments are due, including by suspending payment for a temporary period; and/or
- disapplying certain terms of the Securities including disregarding any termination or acceleration rights or events of default under the terms of the Securities which would be triggered by the exercise of the powers and certain related events.

The taking of such actions could adversely affect the rights of Securityholders, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities. In such circumstances, Securityholders 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 Securityholders would thereby recover compensation promptly or equal to any loss actually incurred, or at all.

A partial transfer of the Issuer's business may result in a deterioration of their creditworthiness

If the Issuer were made subject to the SRR and a partial transfer of the Issuer's business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (as applicable) (which may include the Securities) may result in a deterioration in the creditworthiness of the Issuer and, as a result, increase the risk that it will be unable to meet its obligations in respect of the Securities and/or eventually become subject to administration or insolvency proceedings. In such circumstances, Securityholders 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 Securityholders would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Offering Circular, the Authorities have not made an instrument or order under the Banking Act relating to the Issuer or any other members of the Group and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Securityholders will not be adversely affected by any such order or instrument if made in future.

Exercise of the bail-in and/or write down powers could impose losses on an investment in the Securities

As explained above, the Banking Act provides for a bail-in option. The bail-in option under the Banking Act would potentially apply to any debt and derivative securities issued by a financial institution under resolution or a relevant group company, regardless of when they were issued. Accordingly, it could potentially apply to Securities issued by the Issuer. Consequently, Securityholders may lose all of their investment in the Securities.

As explained above, the Banking Act also provides for a mandatory write down power. Before determining that any institution has reached a point of non-viability (and accordingly, before taking any form of resolution action or applying any resolution power), the Authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert into CET1 capital instruments, the Additional Tier 1 and Tier 2 capital instruments issued by that institution. These measures could be applied to the Securities and certain of the Group's other debt securities; the exercise of this power and the occurrence of circumstances in which such powers would need to be exercised in respect of the Group would be likely to have a negative impact on the Group's business.

Notwithstanding the pre-conditions which must be satisfied before the bail-in and write down powers may be exercised, there remains uncertainty as to the specific considerations to which the relevant Authority would in practice have regard to when assessing whether to exercise bail-in and/or capital write-down powers with respect to the Issuer and its respective liabilities (including the Securities). As the relevant Authority has considerable discretion in relation to how and when it may exercise such powers, holders of the Securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers and consequently its potential effect on the Issuer and the Securities. It is possible that such powers would be exercised before the occurrence of any Trigger Event.

Under the Banking Act, holders of securities have a right to be compensated under a bail-in compensation order which is based on the principle that such investors should receive no less

favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. However, compensation will not necessarily be payable in all circumstances, including where the capital write-down or conversion powers are used without broader bail-in powers also being used. The holders of the Securities otherwise have limited rights to challenge any decision of the relevant Authority to exercise the bail-in power.

Securityholders will agree to be bound by the exercise of any Bail-in Power by the Resolution Authority

In recognition of the powers granted by law to the Resolution Authority, by its acquisition of Securities (or beneficial interests therein), each Securityholder (and each holder of beneficial interests in Securities) will acknowledge and accept that the Amounts Due arising under the Securities may be subject to the exercise of any Bail-in Power by the Resolution Authority, and acknowledges, accepts, consents and agrees to be bound by the effect of the exercise of Bail-in Power by the Resolution Authority which may result in (i) the reduction of all, or a portion, of the Amounts Due, (ii) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Securityholders of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Securities, (iii) the cancellation of the Securities and/or (iv) the amendment or alteration of the maturity of the Securities or amendment of the amount of interest payable on the Securities, or the date on which interest becomes payable, including by suspending payment for a temporary period. Each Securityholder will further acknowledge, accept, consent and agree to be bound by the variation of the terms of the Securities, if necessary, to give effect to, the exercise of any Bail-in Power by the Resolution Authority.

Accordingly, the Bail-in Power may be exercised in such a manner as to result in Securityholders losing all or a part of the value of their investment in the Securities or receiving a different security from the Securities, which may be worth significantly less than the Securities and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the Resolution Authority may exercise the Bail-in Power without providing any advance notice to, or requiring the consent of, the Securityholders. In addition, under the Conditions, the exercise of the Bail-in Power by the Resolution Authority with respect to the Securities is not an event of default or a default for any purpose.

Any use by the Authorities of the resolution and/or capital write-down powers in respect of the Issuer or the Group may have a material adverse effect on the rights of the Securityholders and/or the value or market price of their Securities. Furthermore, if there is any perception or anticipation that any resolution and/or capital write-down powers may be used in respect of the Issuer or the Group, this may be expected to have a material adverse effect on the market price of, and/or trading behaviour in, the Securities, including an increase in volatility and/or a reduction in liquidity, such that Securityholders may find it difficult to sell their Securities, or may only be able to do so at prices that are considerably lower than their initial investment. This may be the case whether or not any such resolution and/or capital write-down powers are, in fact, used.

(B) Risks related to the market

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

Secondary market

An active secondary market in respect of the Securities may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Securities. The Securities represent a new security and will have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets. In particular, holdings in the Securities upon issue may be concentrated as they will be purchased by a limited number of initial investors, one or more of whom may hold a significant proportion of the total issuance. If the initial investors decide to sell any Securities and a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Securities having to be at a substantial discount to their principal amount. Illiquidity may have a severely adverse effect on the market value of Securities.

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

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

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

Moreover, although the Issuer and any Subsidiary can (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, Securityholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Securities in secondary resales even if there is no decline in the performance of the Securities or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and

whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although applications have been made for the Securities to be listed on the ISM of the London Stock Exchange, there is no assurance that such application will be accepted or that an active trading market will develop.

Exchange rate risk and exchange controls

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

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

Interest rate risks

As the interest rate on the Securities will be fixed for extended periods of time (reset only on each Reset Date), an investment in the Securities involves the risk that if market interest rates subsequently increase above the rate paid on the Securities from time to time, this will adversely affect the value of the Securities and the interest paid under Securities will be less than the then applicable market interest rate.

The rate of interest will be re-set on each Reset Date, and any reset rate of interest could be lower than the initial rate of interest or any other previous interest rate on the Securities, and may adversely affect the yield of the Securities.

Credit ratings may not reflect all risks

Credit ratings assigned to the Issuer or the Securities may not reflect all the risks associated with an investment in the Securities. One or more independent credit rating agencies may assign credit ratings to the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time. Accordingly, an investor may

suffer losses if the credit rating assigned to the Securities does not reflect the true creditworthiness of such Securities.

Rating agencies could also elect to rate the Issuer or the Securities on an unsolicited basis, and if such unsolicited ratings are lower than the comparable ratings assigned to the Issuer or the Securities by other rating agencies on a solicited basis, those unsolicited ratings could have an adverse effect on the market value of the Securities.

Furthermore, in general, European regulated investors are restricted under Regulation 1060/2009/EC (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**EU CRA Regulation**”) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the information set out in the pages of the Annual Report of the Issuer for the financial year ended 31 July 2023 which is set out in the table on page 65 of this Offering Circular (and which includes the Issuer's audited consolidated financial statements for the year ended 31 July 2023, prepared in accordance with all relevant IFRSs as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee, the audit report in respect thereof and the notes thereto);
- (b) the information set out in the pages of the Annual Report of the Issuer for the financial year ended 31 July 2022 which is set out in the table on page 66 of this Offering Circular (and which includes the Issuer's audited consolidated financial statements for the year ended 31 July 2022, prepared in accordance with all relevant IFRSs as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee, the audit report in respect thereof and the notes thereto); and
- (c) the unaudited first quarter trading update of the Issuer for the three months to 31 October 2023, as set out in the Issuer's announcement "*Scheduled Trading Update*" published on 16 November 2023.

Copies of the documents incorporated by reference in this Offering Circular, as listed in (a), (b) and (c) above, are available for viewing at <https://www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations>.

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

Any documents themselves incorporated by reference in documents which are deemed to be incorporated in, and to form part of, this Offering Circular, shall not form part of this Offering Circular.

References in this Offering Circular to websites are made for information purposes only and the contents of those websites do not form part of this Offering Circular.

The tables below set out the page number references for certain sections of the documents incorporated in this Offering Circular by reference. The sections denoted by those page number references form part of this Offering Circular and are referred to in this Offering Circular as the "information incorporated by reference".

Annual Report of the Issuer for the financial year ended 31 July 2023:

Information incorporated by reference into this Offering Circular	Page numbers in “Annual Report and Financial Statements” 2023
At a Glance	4
Investment Case and Our Business Model	10-13
Our Strategy	20-25
Key Performance Indicators	26-27
Financial Overview	66-82
Risk Report	83-130
Independent auditor’s report to the members of Close Brothers Group plc	194-203
Consolidated income statement	204
Consolidated statement of comprehensive income	205
Consolidated balance sheet	206
Consolidated statement of changes in equity	207
Consolidated cash flow statement	208
Notes to the consolidated financial statements	211-252
Glossary	253-257

Annual Report of the Issuer for the financial year ended 31 July 2022:

Information incorporated by reference into this Offering Circular	Page numbers in “Annual Report and Financial Statements” 2022
Financial Highlights	3
Strategy and Key Performance Indicators	32-33
Our Responsibility	34
Financial Overview	61-64
Banking	65-69
Asset Management	70-71
Securities	72-73
Risk Report	74-92
Independent auditor’s report to the members of Close Brothers Group plc	144-150
Consolidated income statement	151
Consolidated statement of comprehensive income	152
Consolidated balance sheet	153
Consolidated statement of changes in equity	154
Consolidated cash flow statement	155
Notes to the consolidated financial statements	158-206
Glossary	207-210

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

TERMS AND CONDITIONS OF THE SECURITIES

The following (excluding italicised paragraphs, which are for information only and do not form part of the terms and conditions of the Securities) is the text of the terms and conditions that, subject to completion and amendment, shall be applicable to the Securities in definitive form (if any) issued in exchange for the Global Security.

The £200,000,000 Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”, which expression shall in these Conditions, unless the context otherwise requires, include any Further Securities issued pursuant to Condition 16) of Close Brothers Group plc (the “**Issuer**”) are constituted by a trust deed dated 29 November 2023 (as amended and/or restated and/or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons from time to time being trustee or trustees appointed under the Trust Deed) as trustee for the Securityholders.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed, the agency agreement dated 29 November 2023 and made between the Issuer, the Registrar and other Agents and the Trustee (as amended and/or restated and/or supplemented from time to time, the “**Agency Agreement**”) and the conversion calculation agency agreement dated 29 November 2023 and made between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent (the “**Conversion Calculation Agent**”) (as amended and/or restated and/or supplemented from time to time, the “**Conversion Calculation Agency Agreement**”) (i) are available for inspection during normal business hours by prior arrangement by the Securityholders at the registered office for the time being of the Trustee, being at the date of issue of the Securities at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom and (ii) may be provided by email to a Securityholder following its prior written request to the Trustee or the Principal Paying Agent (in each case with a copy to the Conversion Calculation Agent in the case of the Conversion Calculation Agency Agreement), in each case upon provision of proof of holding of Securities and identity (in a form satisfactory to the Trustee or, as the case may be, the Principal Paying Agent).

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

1. FORM, DENOMINATION AND TITLE

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

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

Title to the Securities shall pass by registration in the register of the Securityholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and

may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the Holder.

2. **TRANSFER OF SECURITIES**

(a) *Transfer of Securities*

One or more Securities may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Securities the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate in respect of the balance of the Securities not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder of Securities, a new Certificate representing the enlarged holding shall be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon request.

(b) *Delivery of New Certificates*

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

(c) *Transfers Free of Charge*

Transfers of Securities and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation

to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) *Closed Periods*

No Securityholder may require the transfer of a Security to be registered (i) during the period of 15 days ending on the due date for redemption of the Securities pursuant to Condition 6, (ii) at any time after the second Business Day following the giving of a Trigger Event Notice by the Issuer or (iii) during the period of seven days ending on (and including) any Record Date.

3. **STATUS, SUBORDINATION AND RIGHTS ON A WINDING-UP**

(a) *Status*

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

(b) *Solvency Condition*

Except in a Winding-Up (or in relation to the cash component of any Alternative Consideration where Condition 7(d)(iii) applies), all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Issuer to cancel payments under Condition 4(a) and Condition 7(a)(ii), conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

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

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

Any payment of interest not due by reason of this Condition 3(b) shall be cancelled as provided in Condition 4(a).

As used in these Conditions:

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

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

(c) *No set-off*

Subject to applicable law, no Securityholder may exercise or claim or plead any right of set-off, netting, compensation or retention (collectively, “**set-off**”) in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Securities and each Securityholder will, by virtue of their holding of any Security, be deemed to have waived all such rights of set-off. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator, administrator or, as appropriate, other insolvency official of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator, administrator or, as appropriate, other insolvency official of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(d) *Rights on a Winding-Up*

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

If a Winding-Up occurs prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in this Condition 3(d)(i)), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) ranking *pari passu* as to a return of assets on a Winding-Up with Parity Obligations and the most senior class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which has or have a preferential right to a return of assets in a Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer (including, for the avoidance of doubt, any Ordinary Shares), but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Securityholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any other amount payable to such Securityholder in respect of such Security (including any damages awarded for breach of any obligation in respect thereof) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding up or liquidation).

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

If a Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of such number of Conversion Shares as that Securityholder would have been entitled to receive upon Conversion in accordance with Condition 7 (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding up or liquidation).

(e) *Rights of Trustee*

As stated in further detail in Condition 15(e), the provisions of this Condition 3 apply only to the principal and interest and any other amounts payable in respect of the Securities (including any damages awarded for breach of any obligation under the Securities) and nothing in this Condition 3 or in Conditions 4 or 10 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

4. **INTEREST**

(a) *Cancellation of interest*

(i) *Discretionary cancellation of interest*

In addition (and without prejudice) to the mandatory cancellation of interest pursuant to Conditions 3(b), 4(a)(ii) and 7(a)(ii), the Issuer may at any time elect in its sole and absolute discretion to cancel (in whole or in part) any amount of interest otherwise scheduled to be paid on any date.

(ii) *Mandatory cancellation of interest*

In addition (and without prejudice) to the cancellation of interest pursuant to Conditions 3(b), 4(a)(i) and 7(a)(ii), the Issuer will (in the case of paragraphs (A) and (B) below, to the extent required to do so under the then-prevailing Regulatory Capital Requirements) cancel any amount of interest (or, as appropriate, part thereof) otherwise scheduled to be paid on any date if and to the extent that:

(A) *Insufficient Distributable Items*: such interest amount, together (if applicable) with any Additional Amounts payable thereon, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then-current Financial Year on the Securities and all other own funds items of the Issuer (excluding any such interest payments or distributions paid or made on Tier 2 Capital instruments or which have already been

provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such date;

- (B) *Maximum Distributable Amount*: the aggregate of the relevant interest amount, together (if applicable) with any Additional Amounts payable thereon, and the amounts of any distributions of the kind referred to in rule 4.3(2) of Chapter 4 (*Capital Conservation Measures*) of the Part of the PRA Rulebook with title "*Capital Buffers*" (as the same may be amended or replaced) and/or referred to in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Issuer or the Group is failing to meet any relevant requirement or any buffers relating to such requirements (in each case to the extent then applicable to the Issuer or the Group) exceeds the Maximum Distributable Amount (if any) applicable to the Issuer or the Group as at such date; and/or
- (C) *Supervisory Authority direction*: the Supervisory Authority orders the Issuer to cancel (in whole or in part) any interest otherwise payable on such date.

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

- (iii) *Non-payment of interest sufficient evidence of cancellation*

If the Issuer does not pay an interest amount or any part thereof on any scheduled payment date, such non-payment shall be sufficient evidence of either the non-payment and cancellation of such amount of interest (or the relevant part thereof) by reason of it not being due in accordance with Condition 3(b), the mandatory cancellation of such amount of interest (or the relevant part thereof) in accordance with Condition 4(a)(ii) or Condition 7(a)(ii) or, as appropriate, the Issuer's exercise of its discretion to cancel such interest payment (or the relevant part thereof) in accordance with Condition 4(a)(i), and accordingly such interest shall not in any such case be due and payable.

- (iv) *Notice of cancellation of interest*

Notice of any cancellation of payment of a scheduled interest payment shall be given to Securityholders (in accordance with Condition 12), the Trustee and the Agents as soon as practicable prior to the relevant scheduled date for payment, *provided that* any failure to give, or delay in giving, such notice shall not affect the cancellation of any interest amount in whole or in part by the Issuer and shall not constitute a default for any purpose.

(v) *Interest non-cumulative*

The cancellation of any interest amount (or any part thereof) in accordance with Condition 3(b), this Condition 4(a) or Condition 7(a)(ii) shall not constitute a default for any purpose on the part of the Issuer. Interest payments under the Securities are non-cumulative and the Securityholders shall have no right to any cancelled interest, whether under the Securities or the Trust Deed, on a Winding-Up or otherwise, and the Issuer may use such cancelled amounts of interest without restriction.

(b) *Interest Rate and Interest Payment Dates*

The Securities bear interest on their outstanding principal amount:

(i) from (and including) the Issue Date to (but excluding) 29 May 2029 (the “**First Reset Date**”), at the rate of 11.125 per cent. per annum (the “**Initial Interest Rate**”); and

(ii) thereafter, at the relevant Reset Interest Rate,

in each case, payable, subject to Conditions 3(b), 4(a) and 7(a)(ii), in equal instalments semi-annually in arrear on 29 May and 29 November of each year, commencing on 29 May 2024 (each an “**Interest Payment Date**”). The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”.

(c) *Calculation of interest*

Subject as provided in the final paragraph of this Condition 4(c), the relevant day-count fraction (the “**Day-Count Fraction**”) shall be calculated on the basis of (i) the actual number of days in the relevant period (the “**Accrual Period**”) from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by (ii) two times the actual number of days in the Interest Period in which such Accrual Period falls.

Interest in respect of any Security shall be calculated per Calculation Amount. The amount of interest payable (subject to Conditions 3(b), 4(a) and 7(a)(ii)) in respect of a Security for a relevant period shall be calculated by the Agent Bank by (i) determining the product of the Calculation Amount, the relevant Interest Rate and the Day-Count Fraction for the relevant period, (ii) rounding the resultant figure to the nearest penny (half a penny being rounded upwards) and (iii) multiplying that rounded figure by a fraction the numerator of which is the principal amount of such Security and the denominator of which is the Calculation Amount.

Subject to Conditions 3(b), 4(a) and 7(a)(ii), the amount of interest payable for each Interest Period commencing prior to the First Reset Date will (if paid in full) amount to £55.63 per Calculation Amount.

(d) *Reset Interest Rate*

The “**Reset Interest Rate**” in respect of any Reset Period will be the sum of the 5-year Gilt Rate in relation to that Reset Period and the Margin, all as determined by the Agent Bank as soon as practicable after 11.00 a.m. (London time) on the relevant Reset Determination Date (rounded, if not an integral multiple of 0.001 per cent. to the nearest integral multiple of 0.001 per cent, with 0.0005 per cent. rounded upwards).

As used herein:

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

“**5-year Gilt Yield Quotation**” means, with respect to a Reset Reference Bank and a Reset Period, the arithmetic mean (rounded, if not an integral multiple of 0.001 per cent., to the nearest integral multiple of 0.001 per cent., with 0.0005 per cent. being rounded upwards) of the bid and offered yields (on a semi-annual compounding basis) for the Reference Bond relating to such Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank;

“**Margin**” means 7.039 per cent. per annum;

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

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

“**Reset Reference Bank Rate**” means, in respect of a Reset Period, the percentage rate (rounded, if not an integral multiple of 0.001 per cent., to the nearest 0.001 per cent., with 0.0005 per cent. being rounded upwards) determined on the basis of the 5-year Gilt Yield Quotations provided by the Reset Reference Banks (upon the request of the Issuer) to the Issuer (and thereupon provided by the Issuer to the Agent Bank) at approximately 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period. If at least four quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded as aforesaid) of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded as aforesaid) of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation (rounded as aforesaid) provided. If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the relevant Reset Reference Bank Rate determined in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 4.086 per cent.; and

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

(e) *Publication of Reset Interest Rate*

The Issuer shall cause the Agent Bank to give notice of the relevant Reset Interest Rate for each Reset Period to the Issuer, the Agents, the Trustee and to any stock exchange or other relevant authority on which the Securities are at the relevant time listed (by no later than the relevant Reset Determination Date) and to be notified to Securityholders in accordance with Condition 12 as soon as possible after its determination, but in no event later than the fourth Business Day thereafter. Each Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reset Reference Banks (or any of them) or the Agent Bank, will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Agent Bank and all Securityholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Trustee or the Securityholders shall attach to the Reset Reference Banks (or any of them) or the Agent Bank in connection with the exercise or non-exercise by them of their respective powers, duties and discretions under this Condition.

(g) *Agent Bank*

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

(h) *Interest accrual*

Without prejudice to Conditions 3(b), 4 and 7, each Security will cease to bear interest from and including its due date for redemption (or, if applicable, substitution under Condition 6(f)) unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue as provided in the Trust Deed.

If a Trigger Event occurs, interest will cease to accrue on the Securities from (and including) the Conversion Date.

5. PAYMENTS

(a) *Payments in respect of Securities*

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

For the purposes of this Condition 5(a), a Securityholder’s “**registered account**” means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the register of Securityholders at the close of business, in the case of principal and payments of interest due upon a redemption of the Securities, on the second Business Day before the due date for payment and, in the case of any other payment of interest, on the relevant Record Date.

Payments of any cash component of any Alternative Consideration shall be made in accordance with the provisions of Condition 7.

(b) *Payments subject to applicable laws*

Payments in respect of principal and interest on the Securities shall be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto and the Issuer will not be liable to Holders for any taxes or duties of whatever nature imposed or levied by such laws, agreements or regulations.

(c) *No commissions*

No commissions or expenses shall be charged to the Securityholders in respect of any payments made in accordance with this Condition 5 or Condition 7.

(d) *Payment on Business Days*

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

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

(e) *Agents*

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

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

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 12.

6. REDEMPTION, PURCHASE, SUBSTITUTION AND VARIATION

(a) *No fixed redemption date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

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

The Issuer may, in its sole discretion but subject to Condition 6(g), having given not less than 15 nor more than 30 days' notice to the Securityholders in accordance with Condition 12, the Trustee and the Agents (which notice shall, subject to Condition 6(g), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on:

- (i) any day falling in the period commencing on (and including) 29 November 2028 and ending on (and including) the First Reset Date; or
- (ii) any Reset Date thereafter,

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

(c) *Redemption for regulatory reasons*

If at any time a Capital Disqualification Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 6(g), having given not less than 15 nor more than 30 days' notice to the Securityholders in accordance with Condition 12, the Trustee and the Agents (which notice shall, subject to Condition 6(g), be irrevocable and

shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at any time at their principal amount together with any Accrued Interest.

A “**Capital Disqualification Event**” shall occur if the Issuer determines that there is a change (or pending change) in the regulatory classification of the Securities which becomes effective on or after the Reference Date that results, or would be likely to result, in the whole or any part of the principal amount of the Securities being excluded from the Group’s Tier 1 Capital under the Regulatory Capital Requirements.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer stating that the conditions precedent for redeeming the Securities pursuant to this Condition 6(c) have been met, and the Trustee shall be entitled to accept the certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

(d) *Redemption for tax reasons*

If at any time a Tax Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 6(g), having given not less than 15 nor more than 30 days’ notice to Securityholders in accordance with Condition 12, the Trustee and the Agents (which notice shall, subject to Condition 6(g), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at any time at their principal amount together with any Accrued Interest, provided that no such notice to the Securityholders shall be given earlier than 90 days prior to the earliest date on which the Issuer would suffer the adverse tax consequence described in the relevant part of the definition of ‘Tax Event’.

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

- (i) the Issuer has paid, or will or would on the next Interest Payment Date be required to pay, Additional Amounts in respect of the Securities;
- (ii) the Issuer is not or would not be entitled to claim a deduction in computing its taxable profits and losses in respect of interest payable on the Securities, or such a deduction is or would be materially reduced or deferred;
- (iii) the Issuer is not or would not be able to treat the Securities as loan relationships for the purposes of Part 5 of the Corporation Tax Act 2009;

- (iv) the Issuer treats or would be required to treat any part of the Securities as an embedded derivative for tax purposes, or the Issuer otherwise is or would be required to take changes in or re-estimates of the value of the Securities or any part of the Securities, or of the present value of the cashflows arising in respect of the Securities or any part of the Securities, into account in computing its taxable profits and losses;
- (v) the Issuer would be required to bring into account any amount of income, profit or gain or other tax credit or taxable item for tax purposes, or any other liability to tax would arise, in respect of the conversion of the Securities into Ordinary Shares, the write-down of the Securities or both; or
- (vi) the Securities are not or would not be treated as “normal commercial loans” for the purposes of Chapter 6 of Part 5 of the Corporation Tax Act 2010, or the Securities otherwise are or would be required to be taken into account for the purposes of determining any group for tax purposes, such that there is or would be a change in the membership of any group for tax purposes,

and, in any such case, the effect of the foregoing cannot be avoided by the Issuer taking measures reasonably available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer stating that the conditions precedent for redeeming the Securities pursuant to this Condition 6(d) have been met, and the Trustee shall be entitled to accept such certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Securityholders.

(e) *Purchases*

The Issuer or any of its Subsidiaries may, at its option but subject to Condition 6(g), purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise in accordance with the then prevailing Regulatory Capital Requirements. All Securities purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, surrendered to the Registrar for cancellation.

(f) *Substitution or Variation*

If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, in its sole discretion but subject to Condition 6(g), having given not less than 15 nor more than 60 days' notice to Securityholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date for substitution or variation, as the case may be, of the Securities), the Trustee and the Agents, at its option and without any requirement for the consent or approval of the Securityholders, at any time either substitute all (but not some only) of the Securities for, or vary the terms of the Securities 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 below 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 Securities, as the case may be, in accordance with this Condition 6(f).

The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities 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 its 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) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection, power, right or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, these Conditions and/or the Securities.

If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Securities as provided in, as appropriate, Condition 6(c) or 6(d).

Prior to the publication of any notice of substitution or variation pursuant to this Condition 6(f), the Issuer shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer stating that the conditions precedent for substituting or varying the Securities pursuant to this Condition 6(f) have been met and that the terms of the relevant Compliant Securities comply with the definition thereof in Condition 20, and the Trustee shall be entitled to accept such certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Securityholders.

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 Securities are for the time being listed or admitted to trading.

(g) *Conditions to redemption, purchase, substitution and variation*

Any redemption of the Securities under Condition 6(b), 6(c) or 6(d) and any purchase of Securities by the Issuer or any of its Subsidiaries pursuant to Condition 6(e) is, in each case, subject to obtaining Regulatory Approval and compliance with the relevant Regulatory Preconditions.

Any substitution of the Securities under Condition 6(f) is subject to obtaining Regulatory Approval and compliance with any requirements therefor under the Regulatory Capital Requirements at that time.

Any variation of the Securities under Condition 6(f) is subject, if so required at such time, to the Issuer having given such notice to the Supervisory Authority with respect to such variation, and within such prescribed period, as is then required by the prevailing

Regulatory Capital Requirements, and to the Supervisory Authority not having objected to such variation during such prescribed period.

In addition, if the Issuer or any of its Subsidiaries has elected to redeem, purchase, substitute or vary the terms of any Securities and:

- (i) (in the case of a redemption or purchase only) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption or purchase; or
- (ii) prior to the settlement of such redemption or purchase, or prior to such substitution or variation taking effect, a Trigger Event occurs,

the relevant redemption, substitution or variation notice (or, as the case may be, the relevant purchase agreement) shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Securityholders in accordance with Condition 12 (or, as the case may be, to the relevant Securityholder(s)), the Trustee and the Agents as soon as practicable.

Further, no notice of redemption, substitution or variation of the Securities shall be given in the period following the occurrence of a Trigger Event (and any purported such notice shall be ineffective).

Any refusal by the Supervisory Authority to give its approval for any matter contemplated in these Conditions shall not constitute a default or an event of default for any purpose.

(h) *Cancellation*

All Securities which are redeemed by the Issuer pursuant to this Condition 6, all Securities which are substituted for Compliant Securities pursuant to Condition 6(f), and all Securities which are purchased by the Issuer or any of its Subsidiaries pursuant to Condition 6(e) and surrendered to the Registrar for cancellation, will be cancelled and may not thereafter be reissued or resold.

(i) *Notices final*

Upon the expiry of any notice as is referred to in Condition 6(b), 6(c), 6(d) or 6(f), the Issuer shall be bound (subject in all circumstances only to Condition 6(g)) to redeem, substitute or vary (as the case may be) the Securities to which the notice refers in accordance with the terms of such Condition.

(j) *Trustee not obliged to monitor*

The Trustee shall not be under any duty to investigate whether any condition precedent to redemption, substitution or variation under this Condition 6 has occurred and (i) shall not be responsible to Securityholders for any loss arising from any failure by it to do so and (ii) shall be entitled to assume, unless it has written notice to the contrary, that no such condition precedent to redemption, substitution or variation has occurred and that all Regulatory Approvals and/or Regulatory Preconditions have been satisfied with

respect to any redemption, substitution or variation under this Condition 6. The Trustee shall rely without further investigation and without liability as aforesaid on any notice or certificate delivered to it in connection with this Condition 6.

7. **CONVERSION**

(a) *Conversion on a Trigger Event*

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

- (i) without delay and by no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of such Trigger Event, the Issuer shall issue, by way of conversion of the Securities (as more fully described in Condition 7(b)) on the Conversion Date, for delivery on the Conversion Shares Delivery Date to the Conversion Shares Depository to be held for the Securityholders, such number of Ordinary Shares (the “**Conversion Shares**”) as is equal to the aggregate principal amount of the Securities outstanding on the Conversion Date divided by the Conversion Price prevailing on the Conversion Date, rounded down to the nearest whole number of Ordinary Shares, and each Security shall, subject to and as provided in this Condition 7, thereby be irrevocably discharged and satisfied; and
- (ii) any accrued and unpaid interest up to (and including) the Conversion Date (whether or not such interest has become due for payment) shall be automatically cancelled (including, for the avoidance of doubt, any interest which may otherwise have been payable on any Interest Payment Date falling on or after the date of the occurrence of the Trigger Event and on or prior to the Conversion Date).

As used herein:

“**Conversion**” means the conversion of the Securities into Ordinary Shares pursuant to this Condition 7, and “**convert**” and “**converted**” shall be construed accordingly;

“**Conversion Price**” means, at any time, the Initial Conversion Price, as then most recently adjusted (if at all) pursuant to Condition 7(e); and

“**Initial Conversion Price**” means £6.65.

The Issuer shall, as soon as reasonably practicable following a determination that a Trigger Event has occurred, and in any event not more than five Business Days following such determination (*provided that* any delay or failure in giving such notice shall not constitute a default under the Securities for any purpose or affect the Conversion of the Securities on the Conversion Date), give notice (the “**Trigger Event Notice**”, which notice shall be irrevocable) to the Securityholders in accordance with Condition 12, the Trustee and the Agents stating:

- (1) that the Trigger Event has occurred and specifying the Common Equity Tier 1 Capital Ratio as at the relevant date on which the Trigger Event occurred;

- (2) the Conversion Date, the expected Conversion Shares Delivery Date and details of the Conversion Shares Depositary;
- (3) the prevailing Conversion Price (which Conversion Price shall remain subject to any subsequent adjustment pursuant to Condition 7(e) up to the Conversion Date);
- (4) whether or not the Issuer expects to make a Conversion Shares Offer and, if so, the last day on which the Conversion Shares Offer Election Notice may (if given) be given by the Issuer;
- (5) the Long-Stop Date; and
- (6) the procedures that Securityholders will need to follow to receive Ordinary Shares (or, where applicable, Alternative Consideration) from the Conversion Shares Depositary pursuant to Condition 7(c), including (without limitation) details of how Securityholders may deliver Conversion Notices.

Fractions of Ordinary Shares will not be issued or delivered in connection with the Conversion, nor delivered to any Securityholder claiming any Conversion Shares (or any Ordinary Share component of any Alternative Consideration, where applicable) from the Conversion Shares Depositary, and accordingly the relevant number of Ordinary Shares shall be rounded down to the nearest whole number of Ordinary Shares, and no cash payment or other adjustment will be made in lieu thereof. However, the number of Ordinary Shares (including any Ordinary Share component of any Alternative Consideration, as applicable) to be delivered pursuant to any one Conversion Notice shall be calculated on the basis of the aggregate principal amount of such Securities which are the subject of such Conversion Notice.

The Issuer will maintain all corporate authorities necessary to issue and allot a sufficient number of Ordinary Shares, free from pre-emption rights and all other encumbrances, pursuant to this Condition 7(a).

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

(b) *Consequences of a Conversion*

- (i) If the Trigger Event occurs, the Securities will be converted in whole (and not in part) on the Conversion Date as provided in this Condition 7, and all of the Issuer's obligations under the Securities shall be irrevocably discharged and satisfied by the Issuer's issuance and delivery of the Conversion Shares to the Conversion Shares Depositary in accordance with this Condition 7.

In the circumstances where these Conditions contemplate the appointment of a Conversion Shares Depositary, the Issuer shall use all reasonable endeavours promptly to appoint such Conversion Shares Depositary. If, however, the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and delivery of the Conversion Shares (or any

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

- (ii) Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository in accordance with these Conditions, with effect from the Conversion Date no Securityholder will have any rights against the Issuer with respect to the repayment of the principal amount of the Securities or the payment of interest or any other amount on or in respect of such Securities and the principal amount of the Securities shall be reduced to, and at all times thereafter equal, zero until the Securities are cancelled as provided herein.
- (iii) Prior to giving the Trigger Event Notice, the Issuer shall deliver to the Trustee (with a copy to the Conversion Calculation Agent) a certificate signed by an Authorised Signatory of the Issuer stating that the Trigger Event has occurred and the Trustee shall be entitled to accept and rely absolutely on such certificate, without any further enquiry and without liability to any person, as sufficient evidence of such matters, in which event such certificate will be conclusive and binding on the Trustee and the Securityholders.
- (iv) The Conversion Shares to be issued and delivered on Conversion shall (except where the Issuer has been unable to appoint a Conversion Shares Depository as contemplated in Condition 7(b)(i)) initially be registered in the name of the Conversion Shares Depository, which shall hold such Conversion Shares (or, if the Issuer elects to make a Conversion Shares Offer, the relevant Alternative Consideration) for the Securityholders. By virtue of its holding of any Security, each Securityholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depository, for holding in accordance with these Conditions.
- (v) Provided that the Issuer so issues and delivers the Conversion Shares to the Conversion Shares Depository (or another independent nominee as contemplated in Condition 7(b)(i)) as aforesaid, with effect on and from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or such independent nominee) for the delivery to them of such Conversion Shares (or, if the Issuer elects to make a Conversion Shares Offer, the relevant Alternative Consideration to which they are entitled). Subject to Condition 7(b)(i), if the Issuer fails to issue and deliver the Conversion Shares to the Conversion Shares Depository in accordance with this Condition 7, a Holder's only right under the Securities against the Issuer for any such failure will (save as provided in Condition

3(d)(ii) if a Winding-Up occurs) be to claim to have such Conversion Shares so issued and delivered.

Following the issuance and delivery of the Conversion Shares to the Conversion Shares Depositary as aforesaid, the Securities shall remain in existence until the applicable Settlement Date (or, if earlier, the Long-Stop Date) for the purpose only of evidencing the Securityholders' right as aforesaid to receive such Conversion Shares (or the relevant Alternative Consideration, as the case may be) to be delivered by the Conversion Shares Depositary and the Issuer enforcing any rights that it may have against Securityholders under Condition 7(d)(v) below. With effect on and from the issuance and delivery of the Conversion Shares to the Conversion Shares Depositary as aforesaid, the Trustee shall have no further duties or obligations under the Trust Deed to the Securityholders, the Issuer or any other person.

- (vi) Subject to and as provided in Condition 7(d), the Conversion Shares Depositary shall hold the Conversion Shares (or, if the Issuer elects to make a Conversion Shares Offer, the relevant Alternative Consideration) for the Securityholders entitled thereto. Each Securityholder shall, for so long as such Conversion Shares (or, if applicable, any Ordinary Share component of any Alternative Consideration) are held by the Conversion Shares Depositary for such Securityholder, be entitled to receive any ordinary dividends paid on such Ordinary Shares so held for it, and shall be entitled to direct the Conversion Shares Depositary to exercise on its behalf any rights of an ordinary shareholder (including voting rights) in respect of such Ordinary Shares so held for it, except that such no Securityholder shall be able to sell or otherwise transfer any such Ordinary Shares unless and until such time as the relevant Ordinary Shares have been delivered to it in accordance with Condition 7(i).
- (vii) Once a Security has been converted into Ordinary Shares, there is no provision for the re-conversion of such Ordinary Shares back into Securities.

(c) *Conversion Settlement*

- (i) Upon Conversion, the Issuer shall redeem the Securities at a price equal to their principal amount and the Securityholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the relevant Conversion Shares to be issued and delivered to the Conversion Shares Depositary on Conversion of their Securities.
- (ii) In order to obtain delivery from the Conversion Shares Depositary of Conversion Shares or, as applicable, the relevant Alternative Consideration following a Conversion Shares Offer, Securityholders will, subject to the remaining subparagraphs of this Condition 7(c) and to Condition 7(d)(v), be required to deliver to the Conversion Shares Depositary (or an agent designated for the purpose in the Trigger Event Notice) a Conversion Notice and the relevant Certificate representing the relevant Security in accordance with Condition 7(i).

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

- (iii) If not previously cancelled on the relevant Settlement Date, the relevant Securities shall be cancelled on the Long-Stop Date and any Holder seeking to obtain Conversion Shares or, as applicable, the relevant Alternative Consideration thereafter shall be required to provide such evidence as to entitlement to such Conversion Shares or, as applicable, the relevant Alternative Consideration as the Conversion Shares Depository may reasonably require in its sole discretion in order to receive delivery of such Conversion Shares or, as applicable, the relevant Alternative Consideration.
- (iv) The Issuer shall have no liability to any Holder of the relevant Securities for any loss resulting from such Holder not receiving any Conversion Shares or, as applicable, the relevant Alternative Consideration, or from any delay in the receipt thereof, in each case as a result of the Holder failing to submit a valid Conversion Notice and to surrender the relevant Certificate prior to the Long-Stop Date or at all.
- (v) If any such Conversion Shares or, as applicable, Alternative Consideration have not been claimed for 10 years after the Long-Stop Date, the Issuer may, and by virtue of acquiring any Security each Securityholder irrevocably authorises the Issuer, at any time after such time and in the Issuer's sole and absolute discretion, instruct the Conversion Shares Depository to sell for cash all or some of any such Conversion Shares or any Ordinary Share component of any Alternative Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Alternative Consideration will, in each case, unless the Issuer decides otherwise in its sole and absolute discretion, be forfeited by the relevant Securityholders and will be transferred to the Issuer for its own account. The Issuer will not be a trustee of any such cash and neither the Issuer nor the Trustee shall have any liability to any Securityholder for any loss resulting from such Securityholder not receiving any Conversion Shares, the relevant Alternative Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).
- (vi) Any determination as to whether any Conversion Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions shall be made by the Conversion Shares Depository in its sole discretion and shall (in the absence of manifest error) be conclusive and binding on the relevant Securityholder(s).

(d) *Conversion Shares Offer*

- (i) Not later than the third Business Day prior to the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election, by giving notice to the Holders of the Securities in accordance with Condition 12 (a "**Conversion Shares Offer Election Notice**") and to the Trustee and Agents, that the Conversion Shares

Depository (or an agent on its behalf) will, in the Issuer's sole and absolute discretion, make an offer to all or (in the Issuer's sole and absolute discretion) some of the Issuer's existing Shareholders at such time for such Shareholders to purchase or acquire all or some of the Conversion Shares to be delivered on Conversion, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price, all in accordance with the following provisions (the "**Conversion Shares Offer**").

- (ii) A Conversion Shares Offer Election Notice shall specify the period of time for which the Conversion Shares Offer will be open (the "**Conversion Shares Offer Period**"). The Conversion Shares Offer Period shall end no later than 40 Business Days after the giving of the Conversion Shares Offer Election Notice by the Issuer.
- (iii) Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depository will provide notice to the Holders of the Securities in accordance with Condition 12 and to the Trustee, the Principal Paying Agent and the Conversion Agent of the composition of the Alternative Consideration (and of the deductions to the cash component, if any, of the Alternative Consideration (as set out in the definition of Alternative Consideration)) per Calculation Amount. The Alternative Consideration shall be held on trust by the Conversion Shares Depository for the Securityholders. The cash component of any Alternative Consideration shall be payable by the Conversion Shares Depository to the Holders of the Securities in pounds sterling, whether or not the Solvency Condition referred to in Condition 3(b) is satisfied.
- (iv) The Issuer reserves the right, in its sole and absolute discretion, to elect that the Conversion Shares Depository terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period. If the Issuer makes such election, it will provide at least three Business Days' notice to the Holders in accordance with Condition 12 and to the Trustee, the Principal Paying Agent and the Conversion Agent and the Conversion Shares Depository may then, in its sole and absolute discretion, take steps to deliver to Holders the Conversion Shares to be delivered on Conversion at a time that is earlier than the time at which they would have otherwise received the Alternative Consideration had the Conversion Shares Offer been completed.
- (v) By virtue of its holding of any Security, each Holder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository, such Holder shall be deemed to have:
 - (A) irrevocably consented to any Conversion Shares Offer and, notwithstanding that such Ordinary Shares are held by the Conversion Shares Depository on trust for the Securityholders, to the Conversion Shares Depository using the Conversion Shares delivered to it on Conversion to settle any Conversion Shares Offer;
 - (B) irrevocably consented to the transfer of the interest such Holder has in the Conversion Shares delivered on Conversion to the Conversion

Shares Depository to one or more purchasers identified by the Conversion Shares Depository (or its agent) in connection with the Conversion Shares Offer;

- (C) irrevocably agreed that the Issuer and the Conversion Shares Depository may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms set out in these Conditions; and
- (D) irrevocably agreed that none of the Issuer, the Trustee, the Conversion Shares Depository or the Conversion Calculation Agent shall, to the fullest extent permitted by applicable law, incur any liability to the Holders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depository in respect of the Holders' entitlement to, and the subsequent delivery of, any Alternative Consideration).

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

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

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

(e) *Adjustments to the Conversion Price*

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

(i) *Consolidation, subdivision, etc.*

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

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

where:

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

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

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

(ii) *Capitalisation and bonus issues*

If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid up to the Shareholders as a class by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than where:

(A) any such Ordinary Shares are issued instead of the whole or part of a Cash Distribution which the Shareholders would or could otherwise have received; or

(B) the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares; or

(C) any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise),

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

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

where:

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

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

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

(iii) *Extraordinary Distributions*

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

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

where:

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

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

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

(iv) *Rights issues, etc*

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

multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

- “**A**” is the total number of Ordinary Shares in issue on the Ex-Date;
- “**B**” is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the securities (including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer) issued by way of rights, or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof in each case as determined by the Issuer in good faith, would purchase at such Current Market Price per Ordinary Share on the Ex-Date; and
- “**C**” is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate,

provided that if, at the Ex-Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 7(e)(iv), “**C**” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Ex-Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Ex-Date.

Such adjustment shall become effective on the Effective Date.

For the purpose of this Condition 7(e)(iv), “**Effective Date**” means the later of (i) the Ex-Date in respect of such issue or grant and (ii) the first date on which the adjustment to the Conversion Price is capable of being determined in accordance with these Conditions.

For the purpose of any calculation of the consideration receivable or price pursuant to this Condition 7(e)(iv), the following provisions shall apply:

- (A) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

- (B)
 - (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such securities; and
 - (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Ex-Date,

plus, in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights; and

- (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (C) if the consideration or price determined pursuant to (A) or (B) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Ex-Date;
- (D) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or options, warrants or rights, or otherwise in connection therewith; and
- (E) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable,

regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(v) *Limitations on adjustments*

Notwithstanding Conditions 7(e)(i) to (iv) above, and Condition 7(e)(vi)(A) below, no adjustment to the Conversion Price will be made:

- (A) as a result of (1) the creation of any new class of share in the Issuer, or (2) the occurrence of any of the events referred to in Conditions 7(e)(i) to (iv) above in respect of any class of share which is not the subject of the relevant paragraph;
- (B) as a result of the payment of any Cash Distribution (other than an Extraordinary Distribution);
- (C) to the extent Ordinary Shares or other securities (including rights, warrants or options in relation to Ordinary Shares and other securities) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, directors or employees or former directors or employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any employee share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme;
- (D) if an increase in the Conversion Price would result from such adjustment, except in the case of a consolidation of Ordinary Shares; or
- (E) to such extent as would result in the Conversion Price being reduced below the nominal value of an Ordinary Share (and, for the avoidance of doubt, in circumstances where this paragraph (E) prevents an adjustment being made in full, the Conversion Price will be adjusted so as to equal the nominal value of an Ordinary Share),

and provided further that:

- (x) where the events or circumstances giving rise to any adjustment pursuant to this Condition 7(e) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall, subject to compliance with the then prevailing

Regulatory Capital Requirements, be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;

- (y) such modification shall, subject to compliance with the prevailing Regulatory Capital Requirements, be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, and (ii) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency; and
- (z) for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would (but for the operation of Condition 7(e)(v)(E) above) result in an adjustment to the Conversion Price to below the nominal value of an Ordinary Share for the time being.

(vi) *Independent Adviser*

- (A) If any doubt shall arise as to whether an adjustment is required to be made to the Conversion Price under Conditions 7(e)(i) to (iv) above or as to the appropriate adjustment to the Conversion Price (including, without limitation, as to the determination of any effective date), following consultation between the Issuer and an Independent Adviser, a written determination of such Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.
- (B) All determinations by an Independent Adviser pursuant to, or in respect of, these Conditions shall be deemed to be determinations made by an expert and not by a trustee or fiduciary for the Holders or any other person. No Independent Adviser shall be liable to the Issuer, the Trustee, the Holders or any other person in respect of any such determination made by it except in the case of the wilful default or fraud of the Independent Adviser.
- (C) In any circumstances where these Conditions require a determination to be made by an Independent Adviser, the Issuer shall use all reasonable efforts to appoint such Independent Adviser for such purpose. If, however, the Issuer demonstrates to the satisfaction of the Trustee that, notwithstanding such reasonable efforts, the Issuer has been unable to appoint an Independent Adviser at that time, the relevant determination shall instead be made by the Issuer acting in good faith. The Trustee shall be entitled to rely on any such determinations made by the Issuer as if

such determinations had been made by an Independent Adviser and the Trustee shall suffer no liability for doing so.

(vii) *Roundings, etc.*

On any adjustment to the Conversion Price pursuant to Condition 7(e), the resultant Conversion Price, if not an integral multiple of £0.0001, shall be rounded down to the nearest integral multiple of £0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustments to the Conversion Price shall be given by the Issuer to Securityholders in accordance with Condition 12 and the Trustee and the Agents promptly after the determination thereof.

(viii) *Trustee not obliged to monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price and will not be responsible or liable to any person for any loss arising from any failure by it to do so, nor shall the Trustee be responsible or liable to any person for any determination of whether or not an adjustment to the Conversion Price is required or should be made nor as to the determination or calculation of any such adjustment.

(f) *Qualifying Relevant Event and Non-Qualifying Relevant Event*

(i) *Qualifying Relevant Event*

If a Qualifying Relevant Event shall occur, the Securities shall, where the Conversion Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Conversion Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 7(f) *mutatis mutandis* as provided in this Condition 7) at a Conversion Price that shall be the New Conversion Price in effect on the Conversion Date. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with Condition 7(a) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities (but shall be without prejudice to the rights of the Trustee and (in the circumstances described in Condition 10(d)) the Securityholders against the Approved Entity in connection with its undertaking to deliver Relevant Shares as provided in the definition of "New Conversion Condition" in Condition 7(f)(vi)(E) below) and, for the avoidance of doubt, shall not discharge any liabilities owed to the Trustee or any provisions of the Trust Deed that are specified as surviving the

termination of the Trust Deed. Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Securityholders, to deliver the Relevant Shares to or to the order of the Securityholders as aforesaid.

(ii) *Adjustments to New Conversion Price*

The New Conversion Price shall be subject to adjustment, *mutatis mutandis*, in the circumstances provided in Condition 7(e) (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to the Securityholders (in accordance with Condition 12), the Trustee and the Agents of the New Conversion Price and of any such modifications and amendments.

(iii) *Relevant Event where Acquiror is Approved Entity*

In the case of a Relevant Event where the Acquiror is an Approved Entity:

- (A) the Issuer shall enter into such agreements and arrangements, which may include the undertaking from the Approved Entity as described in Condition 7(f)(i) above and deeds supplemental to the Trust Deed, and such amendments to the Trust Deed and these Conditions shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Securities shall (following the occurrence of a Trigger Event) be convertible into, or exchangeable for, the Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with and subject to, this Condition 7 (as may be so supplemented, amended or modified) at the New Conversion Price; and
- (B) the Issuer shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 7, as may be supplemented, amended or modified as provided above.

The Trustee shall (at the expense of the Issuer and provided that the Issuer has delivered to the Trustee a certificate signed by an Authorised Signatory stating that the effect of such amendments will be only that the Securities shall be convertible into, or exchangeable for, the Relevant Shares of the Approved Entity as provided in Condition 7(f)(iii)(A) above) be bound to concur with the Issuer in making any such amendments to the Trust Deed, the Agency Agreement and/or these Conditions, and execute any such deeds supplemental to the Trust Deed and/or any such agreements supplemental to the Agency Agreement, provided further that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection, power, right or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, these Conditions and/or the Securities.

(iv) *Non-Qualifying Relevant Event*

In the case of a Non-Qualifying Relevant Event, with effect from the occurrence of the Relevant Event and unless a Trigger Event shall have occurred in circumstances where the Conversion Date falls prior to the date of such Relevant Event, outstanding Securities shall not be subject to Conversion at any time notwithstanding that a Trigger Event may occur subsequently but instead, upon the occurrence of a subsequent Trigger Event (if any) the full principal amount of each Security will automatically be written down to zero, each Security will be cancelled, all accrued but unpaid interest and any other amounts payable on each Security will be cancelled (irrespective of whether such amounts have become due and payable prior to the occurrence of the Trigger Event) and the Securityholders will, by virtue of acquiring and holding any Securities, be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Securities or to any interest or other amount so cancelled.

(v) *Notice of Relevant Event*

Within 10 days following the occurrence of a Relevant Event, the Issuer shall give notice (a “**Relevant Event Notice**”) thereof to the Securityholders in accordance with Condition 12 and to the Trustee and the Agents. The Relevant Event Notice shall specify:

- (A) the identity of the Acquiror;
- (B) whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event; and
- (C) in the case of a Qualifying Relevant Event, the New Conversion Price.

(vi) *Definitions*

As used in these Conditions:

- (A) “**Acquiror**” means the person which, following a Relevant Event, controls the Issuer;
- (B) the “**Acquiror Status Condition**” shall be satisfied if the Securities will continue to be “hybrid capital instruments” for the purposes of Part 5 of the Corporation Tax Act 2009 (or benefit from equivalent treatment under any replacement tax rules relevant to the entitlement of the Issuer to claim a deduction in computing its tax liabilities in respect of any payments made under, or funding costs recognised in its accounts in respect of, the Securities) once arrangements are in place for the issue of Relevant Shares by the Acquiror in the event of Conversion;

- (C) “**Approved Entity**” means a body corporate that is incorporated or established under the laws of an OECD member state and which, on the occurrence of the Relevant Event, has in issue Relevant Shares;
- (D) “**EU Regulated Market**” has the meaning given to it in Regulation 600/2014/EU, as it forms part of the domestic law of the United Kingdom pursuant to the EUWA, as amended from time to time;
- (E) the “**New Conversion Condition**” shall be satisfied if, by not later than seven days following the occurrence of a Relevant Event where the Acquiror is an Approved Entity, (A) the Acquiror Status Condition has been satisfied and (B) the Issuer shall have entered into arrangements to its satisfaction with the Approved Entity pursuant to which the Approved Entity irrevocably undertakes to the Trustee, for the benefit of the Securityholders, to deliver the Relevant Shares to the Conversion Shares Depository for the Securityholders upon a Conversion of the Securities, all as contemplated in Condition 7(f)(i);
- (F) “**New Conversion Condition Effective Date**” means the date with effect from which the New Conversion Condition shall have been satisfied;
- (G) “**New Conversion Price**” means, initially, the higher of (A) such price as is determined by the Conversion Calculation Agent in accordance with the following formula (rounded down, if not an integral multiple of £0.0001, to the nearest integral multiple of £0.0001) and (B) the nominal amount of one Relevant Share (and such New Conversion Price may subsequently be adjusted as provided in Condition 7(f)(ii)):

$$ECP \times \frac{VWAP_{RS}}{VWAP_{OS}}$$

where:

“**ECP**” is the Conversion Price in effect immediately prior to the New Conversion Condition Effective Date, *provided that* for the purpose of this definition only, if in accordance with Condition 7(e)(vii) any adjustment was not required to be made to the Conversion Price and/or the Conversion Price was rounded down in respect of an adjustment pursuant to Condition 7(e)(i), (ii), (iii), (iv) (subject to (vi)(A)), the Conversion Price in effect immediately prior to the New Conversion Condition Effective Date shall be the Conversion Price that would have been in effect at such time if such adjustment which was not made had actually been made at the relevant time and/or, as the case may be, if such rounding down had not been made;

“**VWAP_{RS}**” means the arithmetic average of the VWAPs of the Relevant Shares (each translated, if necessary, into pounds sterling at the Prevailing Rate on the relevant Trading Day) on each of the 10 consecutive Trading Days for the Relevant Shares ending on (and

including) the Trading Day for the Relevant Shares immediately preceding the date of occurrence of the Relevant Event (and where references in the definition of “VWAP” to “Ordinary Shares” shall be construed as a reference to the Relevant Shares); and

“**VWAP_{OS}**” is the arithmetic average of the VWAPs of the Ordinary Shares (each translated, if necessary into pounds sterling at the Prevailing Rate on the relevant Trading Day) on each of the 10 consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date of occurrence of the Relevant Event;

- (H) “**Non-Qualifying Relevant Event**” means a Relevant Event that is not a Qualifying Relevant Event;
- (I) “**OECD**” means the Organisation for Economic Co-operation and Development;
- (J) “**Qualifying Relevant Event**” means a Relevant Event where: (A) the Acquiror is an Approved Entity; and (B) the New Conversion Condition is satisfied;
- (K) “**Regulated Market**” means an EU Regulated Market, UK Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in any OECD member state;
- (L) a “**Relevant Event**” shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of the Issuer (other than as a result of a Newco Scheme). For the purposes of this definition of Relevant Event, “**control**” means, directly or indirectly:
 - (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of the Issuer; or
 - (b) the right to appoint and/or remove all or the majority of the members of the board of directors of the Issuer, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise,and “**controlled**” shall be construed accordingly;
- (M) “**Relevant Shares**” means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) which is listed and admitted to trading on a Regulated Market; and
- (N) “**UK Regulated Market**” has the meaning given to it in Regulation 600/2014/EU, as it forms part of the domestic law of the United Kingdom pursuant to the EUWA, as amended from time to time.

(g) *Covenants*

Whilst any Security remains outstanding, the Issuer shall (if and to the extent permitted by the Regulatory Capital Requirements from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur):

- (i) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the Conversion Date, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (ii) in the event of a Relevant Event where the Acquiror is an Approved Entity, use all reasonable endeavours to ensure that the New Conversion Condition is satisfied such that the Relevant Event is a Qualifying Relevant Event;
- (iii) use all reasonable endeavours to ensure that the Conversion Shares delivered upon Conversion shall be admitted to listing and trading on the Relevant Stock Exchange on which the Ordinary Shares are then admitted to listing and trading (if any);
- (iv) at all times keep available for issue or allotment, free from any pre-emptive or other preferential rights, sufficient Ordinary Shares to enable the issue of all Conversion Shares as would be necessary to satisfy in full the obligation of the Issuer to issue and deliver Conversion Shares following the occurrence of a Trigger Event; and
- (v) in the event of a Newco Scheme, save with the approval of an Extraordinary Resolution, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement but subject to having first notified the Supervisory Authority of any relevant amendments in accordance with the procedure required by the Regulatory Capital Requirements from time to time (if required by those Regulatory Capital Requirements), such amendments are made to these Conditions, the Agency Agreement and the Trust Deed as are necessary to ensure that the Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed.

The Trustee shall (at the expense of the Issuer and provided that the Issuer has delivered to the Trustee a certificate signed by an Authorised Signatory stating that the effect of such amendments will be only that the Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed) be bound to concur with the Issuer in making any such amendments to the Trust Deed, the Agency Agreement and/or these Conditions and execute any such deeds supplemental to the Trust Deed and/or any such agreements supplemental to the Agency Agreement, *provided that* the Trustee shall not be bound to do so if to do so would, in the opinion of the Trustee, have the effect of (A) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (B) changing, increasing or adding to the obligations or duties of the Trustee or (C) removing or amending any protection, power,

right or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, these Conditions and/or the Securities.

In addition, for so long as any Security remains outstanding, whenever the Issuer publishes the common equity tier 1 ratio of the Group as at any date in its regular Pillar 3 Disclosures (or, at the Issuer's election, as part of its published annual or interim financial statements), it will also publish, as part of those disclosures or on its website, or will otherwise make available for inspection by the Securityholders, the Common Equity Tier 1 Capital Ratio calculated in accordance with these Conditions as at the same date.

(h) *Taxes etc.*

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

(i) *Delivery of Conversion Shares and delivery and payment of Alternative Consideration*

(i) *Delivery of Conversion Shares to the Conversion Shares Depository*

The Conversion Shares to be issued upon Conversion will be issued on the Conversion Date and delivered to (subject as provided in Condition 7(b)(i)) the Conversion Shares Depository on the Conversion Shares Delivery Date, to be held on trust for the Holders.

Such Conversion Shares will be delivered in uncertificated form through CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Conversion Shares will be delivered in certificated form.

(ii) *Delivery of Ordinary Shares to Securityholders*

Where any Ordinary Shares (being Conversion Shares or, if applicable, any Ordinary Share component of any Alternative Consideration) are to be delivered to Holders, such Ordinary Shares will be delivered in uncertificated form through CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Conversion Shares will be delivered in certificated form.

Any such Ordinary Shares to be delivered through CREST will be delivered to the CREST account specified by the relevant Securityholder in the relevant Conversion Notice, on the relevant Settlement Date.

Any such Ordinary Shares to be delivered in certificated form will be registered in the name, and the certificate in respect thereof will be delivered to the address, specified by the relevant Securityholder in the relevant Conversion Notice. Such registration will be made on the relevant Settlement Date, and the certificate evidencing such holding will be mailed, by uninsured second class post, to such address on or as soon as is reasonably practicable following the Settlement Date.

(iii) *Payment of cash component of Alternative Consideration*

Any cash component of any Alternative Consideration payable to a Securityholder shall be paid by transfer to a sterling account with a bank that processes payments in sterling, the details of such bank account to be specified by the Securityholder in the relevant Conversion Notice.

(iv) *No delivery of Ordinary Shares into a clearance service*

Neither the Conversion Shares nor any Ordinary Share component of any Alternative Consideration, if applicable, will be available for issue or delivery (A) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (C) to the CREST account of such a person described in (A) or (B).

(j) *Ordinary Shares*

The Ordinary Shares (being Conversion Shares or any Ordinary Share component of any Alternative Consideration, if applicable) issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the relevant fully paid Ordinary Shares in issue on the Conversion Date, except in any such case as provided in Condition 7(b)(vi) and for any right excluded by mandatory provisions of applicable law, and except that any Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant holder thereof shall not be entitled to receive) any rights, distribution or payments the record date or other due date for the establishment of entitlement for which falls prior to the Conversion Date.

(k) *Purchase or Redemption of Ordinary Shares*

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

(l) *Conversion Calculation Agent and Independent Adviser*

Adjustments to the Conversion Price made by the Conversion Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Conversion Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Securityholders, the Agents, and (in the case of a determination by an Independent Adviser) the Conversion Calculation Agent.

Subject to the provisions of the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may consult on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Securityholders or any Agent in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

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

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

The Issuer may at any time with the prior written approval of the Trustee, but without prior notice to the Agents or the Securityholders, replace the Conversion Calculation Agent with an independent financial institution or an independent adviser of recognised standing and with appropriate expertise.

If the Conversion Calculation Agent is unable or unwilling to continue to act as the Conversion Calculation Agent or fails duly to determine the Conversion Price adjustments as provided in this Condition 7 and/or the Alternative Consideration, the Issuer shall forthwith appoint an independent financial institution or an independent adviser of recognised standing and with appropriate expertise, in each case approved in writing by the Trustee, to act as such in such Conversion Calculation Agent's place. Subject as provided in the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

8. TAXATION

(a) *Payment without withholding*

All payments by or on behalf of the Issuer in respect of the Securities shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (each, a “**Taxing Jurisdiction**”), unless the withholding or deduction of the Taxes is required by law. If any such withholding or deduction for or on account of any Taxes is required by the law of a Taxing Jurisdiction, the Issuer will pay such additional amounts (“**Additional Amounts**”) in respect of the payment of any interest (but not principal or any other amount) on the Securities as may be necessary in order that the net amounts of any interest received by the Securityholders after the withholding or deduction shall equal the amounts of any interest which would otherwise have been receivable in respect of the Securities in the absence of any withholding or deduction, except that no Additional Amounts shall be payable in relation to any payment in respect of any Security:

- (i) held by or on behalf of a Securityholder who is liable to such Taxes in respect of such Security by reason of it having some connection with the Taxing Jurisdiction other than the mere holding of the Security;
- (ii) where (in the case of a payment of interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the Securityholder would have been entitled to such Additional Amounts on surrendering such Certificate for payment on the last day of such period of 30 days;
- (iii) where the Securityholder is or would have been able to avoid (and no such Additional Amounts shall be payable in relation to any payment in respect of any Security to the extent such Securityholder would have been able to reduce) such withholding or deduction by complying, or procuring that a third party complies with, with any applicable statutory requirements or by making, or procuring that any third party makes, a declaration of non-residence or other similar claim for exemption.

(b) *Additional Amounts*

Any reference in these Conditions to any amounts of interest payable in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, this Condition 8 pursuant to the Trust Deed.

9. PRESCRIPTION

Securities will become void unless claims are made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Securities, subject to the provisions of Condition 4.

10. **NON-PAYMENT WHEN DUE AND WINDING-UP**

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

(a) *Proceedings for Winding-Up*

In the event of a Winding-Up, or if the Issuer has not made payment of any amount of principal in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and, unless proceedings for a Winding-Up have already commenced, the Trustee may (and, subject to and in the circumstances set out in Condition 10(c), shall) institute proceedings for a winding-up of the Issuer.

The Trustee may (and, subject to and in the circumstances set out in Condition 10(c), shall) claim and/or prove in respect of the Securities in a Winding-Up (whether or not instituted by the Trustee), such claim being that set out in Condition 3(d)(i) or 3(d)(ii), as applicable.

(b) *Enforcement*

Without prejudice to Condition 10(a), the Trustee may, at its discretion, and without notice, institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer (including, without limitation, proceedings, actions or steps to enforce obligations of the Issuer in connection with a Conversion) under the Trust Deed or these Conditions (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) *provided that* in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions or the Trust Deed.

Nothing in this Condition 10(b) shall, however, prevent the Trustee from instituting proceedings for the Winding-Up and/or claiming and/or proving in any Winding-Up or exercising rights under Condition 3(d)(i) or, as applicable, Condition 3(d)(ii) in respect of any payment obligations of the Issuer arising from or in respect of the Securities or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Condition 10(a).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) against the Issuer to enforce the terms of the Securities or the Trust Deed or any other action under or pursuant to the Trust Deed, these Conditions and/or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the holders of at least one-quarter in aggregate principal

amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Right of Securityholders*

No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for a Winding-Up or to prove and/or claim in 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 Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(e) *Extent of Securityholder's remedy*

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or the Trust Deed (but this is without prejudice to the Trustee's rights and claims under the Trust Deed in its personal capacity).

11. REPLACEMENT OF CERTIFICATES

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

12. NOTICES

All notices regarding the Securities shall be valid if sent by post to the Securityholders at their respective addresses in the Register. Any notice shall be deemed to have been given on the second day after being so mailed.

If and for so long as the Securities are listed or admitted to trading on any stock exchange or other securities market (where such listing or admission is obtained by or at the request of the Issuer), notices will also be given or published in accordance with any applicable requirements of such stock exchange or other securities market.

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

13. MEETINGS OF SECURITYHOLDERS, MODIFICATION AND WAIVERS

(a) *Meetings of Securityholders*

The Trust Deed contains provisions for convening meetings of Securityholders (which may be at a physical location or by way of conference call or video conference, or a combination of the foregoing) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed.

The quorum at any meeting of Securityholders for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, *except that* at any meeting the business of which includes Reserved Matters, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the aggregate principal amount of the Securities for the time being outstanding.

The Trust Deed provides that (i) a resolution passed at a meeting of Securityholders duly convened and held by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing (which may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders) signed by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Securities who for the time being are entitled to receive notice of and vote at a meeting of Securityholders, and (iii) consent given by way of electronic consents through any relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Securities who for the time being are entitled to receive notice of and vote at a meeting of Securityholders, shall, in each case, be effective as an Extraordinary Resolution of the Securityholders.

An Extraordinary Resolution will be binding on all Securityholders, whether or not they are present at the meeting or, as the case may be, sign the resolution in writing or provide electronic consent, and including Securityholders who voted against the relevant resolution.

(b) *Modification, authorisation, waiver*

Except where the Trustee is bound pursuant to Conditions 6(f), 7(f)(iii), 7(g)(v) or (subject as provided therein) 6(f) to give effect to the amendments described therein, the Trustee may agree (other than in respect of a Reserved Matter), without the consent of the Securityholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders) or may agree, without any such consent as aforesaid and irrespective of whether the same constitutes

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

(c) *Regulatory approval*

Any modification or waiver of these Conditions and the Trust Deed shall be subject, if so required at such time, to the Issuer having given such notice to the Supervisory Authority with respect to such modification or waiver, and within such prescribed period, as is then required by the prevailing Regulatory Capital Requirements, and to the Supervisory Authority not having objected to such modification or waiver during such prescribed period.

If the Trustee is requested to consider any modification or waiver of these Conditions or Trust Deed or to convene a meeting of Securityholders in respect thereof, the Issuer shall provide to the Trustee a certificate signed by an Authorised Signatory certifying that it has given such notice and that the Supervisory Authority has not objected to the proposed modification or waiver during the applicable prescribed period, or that such notice or non-objection is not required, and the Trustee shall be entitled to rely, and act upon, such certificate absolutely without investigation and without any liability for so doing.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

(e) *Notification to the Securityholders*

Any modification, abrogation, waiver, authorisation or substitution referred to in this Condition 13 or in Condition 14 shall be binding on the Securityholders and, unless the Trustee agrees otherwise, notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 12.

(f) *Newco Scheme*

In the event of a Newco Scheme, the Issuer may, subject as provided in Condition 14 and the Trust Deed, without the consent of Securityholders, at its option, procure that Newco is substituted under such Securities as the Issuer.

At the request of the Issuer, the Trustee shall, at the expense of the Issuer, without the requirement for any consent or approval of the Securityholders, be bound to concur with the Issuer in the substitution in place of the Issuer (or any previous substituted company) as principal debtor under the Trust Deed and the Securities of Newco, subject to the provisions set out in Condition 7(g)(v) and Condition 14.

14. SUBSTITUTION OF THE ISSUER

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

- (i) any substitution as provided in and for the purposes of Condition 13(f); or
- (ii) the substitution of the Issuer's Successor in business (as defined in the Trust Deed), or a Holding Company (as defined in the Trust Deed) of the Issuer, in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the Securities,

subject to:

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

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

Any substitution pursuant to this Condition 14 shall be subject to the Issuer having given such notice to, and obtained such approval from, the Supervisory Authority with respect to such substitution as is then required by the prevailing Regulatory Capital Requirements, if so required at such time.

15. RIGHTS OF THE TRUSTEE

- (a) *Indemnification and protection of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Securityholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Securityholders or any of them be

given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee Contracting with the Issuer*

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

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

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

(d) *Mandatory modifications*

When implementing any modification pursuant to Condition 7(f)(iii)(A) or 7(g)(v), the Trustee shall not consider the interests of the Securityholders or any other person. The Trustee shall not be liable to the Securityholders or any other person for so acting or for any losses incurred by any person by reason thereof, irrespective of whether any such modification is or may be prejudicial to the interests of any such person and/or is or may be a Reserved Matter.

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

The provisions of Condition 3 apply only to the principal and interest and any other amounts payable in respect of the Securities and nothing in Conditions 3, 5 or 10 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with or as a consequence of or for any non-payment of interest or other amounts by reason of Condition 3(b) or Condition 4(a), Conversion pursuant to Condition 7 or any cancellation of the Securities or write down of any claims in respect thereof following the occurrence of a Non-

Qualifying Relevant Event pursuant to Condition 7(f)(iv) or any Newco Scheme. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

16. **FURTHER ISSUES**

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

17. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

(a) *Governing law*

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

(b) *Jurisdiction of English courts*

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

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

18. **AGREEMENT AND ACKNOWLEDGEMENT WITH RESPECT TO THE EXERCISE OF BAIL-IN POWER**

(a) *Recognition of Bail-in*

Notwithstanding and to the exclusion of any other term of the Securities or any other agreements, arrangements, or understandings between the Issuer and any Securityholder, by its acquisition of any Security (or any interest therein), each

Securityholder, the Trustee on behalf of the Securityholders and each holder of a beneficial interest in any Security, acknowledges and accepts that the Amounts Due arising under the Securities may be subject to the exercise of Bail-in Powers by the Resolution Authority, and acknowledges, accepts, consents and agrees to be bound by:

- (i) the effect of the exercise of any Bail-in Power by the Resolution Authority, that may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the Amounts Due;
 - (B) the conversion of all, or a portion, of the Amounts Due on the Securities into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Securityholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Securities;
 - (C) the cancellation of the Securities; and
 - (D) the amendment or alteration of the term of the Securities or amendment of the amount of interest payable on the Securities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Securities, if necessary, to give effect to the exercise of Bail-in Power by the Resolution Authority.

(b) *Payment of interest and other outstanding Amounts Due*

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

(c) *No default*

Neither a reduction or cancellation, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the Bail-in Power by the Resolution Authority with respect to the Securities will be an event of default under these Conditions, the Trust Deed or otherwise or a default for any purpose.

(d) *Notice to Securityholders*

Upon the exercise of the Bail-in Power by the Resolution Authority with respect to the Securities, the Issuer shall notify the Trustee and the Agents in writing of such exercise and give notice of the same to Securityholders in accordance with Condition 12. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 18(d)

shall not constitute a default or event of default for any purpose, nor shall it affect the validity and enforceability of the Bail-in Power or the consequences thereof.

(e) *Definitions*

For the purposes of this Condition 18:

“Amounts Due” means the principal amount of, together with any accrued and unpaid interest (to the extent not already cancelled in accordance with these Conditions), due, or which may become due or payable, on the Securities. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of Bail-in Power by the Resolution Authority;

“Bail-In Legislation” means Part I of the Banking Act 2009, as amended, and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings);

“Bail-in Power” means the powers under the Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or affiliate of a bank or investment firm, to cancel, reduce, transfer, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability; and

“Resolution Authority” means the Bank of England or any successor or replacement thereto or such other authority in the United Kingdom with the ability to exercise the Bail-in Power.

19. **RIGHTS OF THIRD PARTIES**

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

20. **DEFINITIONS AND INTERPRETATION**

(a) *Definitions*

In these Conditions:

“5-year Gilt Rate” has the meaning given to it in Condition 4(d).

“Accrual Date” has the meaning given to it in Condition 4(c).

“Accrued Interest” means, with respect to a scheduled redemption date, any accrued and unpaid interest on the Securities to (but excluding) such redemption date, but

excluding any interest which has been cancelled in accordance with Condition 3(b), Condition 4(a) or Condition 7(a)(ii).

“**Acquiror**” has the meaning given to it in Condition 7(f)(vi)(A).

“**Acquiror Status Condition**” has the meaning given to it in Condition 7(f)(vi)(B).

“**Additional Amounts**” has the meaning given to it in Condition 8(a).

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

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

“**Agents**” means the Registrar and each of the other agents appointed pursuant to the Agency Agreement from time to time.

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

“**Alternative Consideration**” means, for each Calculation Amount of each Security which is converted, and as determined by the Conversion Calculation Agent:

- (i) if all of the Conversion Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the Alternative Consideration Sale Proceeds attributable to each such Calculation Amount (rounded down, if not an integral multiple of £0.01, to the nearest integral multiple of £0.01);
- (ii) if some but not all of such Conversion Shares to be issued and delivered upon Conversion are sold in the Conversion Shares Offer:
 - (x) the *pro rata* share of the Alternative Consideration Sale Proceeds attributable to each such Calculation Amount (rounded down, if not an integral multiple of £0.01, to the nearest integral multiple of £0.01); and
 - (y) the *pro rata* share of such Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to each such Calculation Amount; and
- (iii) if no Conversion Shares are sold in the Conversion Shares Offer, the *pro rata* share of the Conversion Shares attributable to each such Calculation Amount.

“**Alternative Consideration Sale Proceeds**” means, with respect to the sale of any Conversion Shares pursuant to the Conversion Shares Offer, the aggregate cash proceeds from such sale (less an amount, determined in good faith by the Issuer, equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital,

issue, transfer, registration, financial transaction or documentary tax that may arise or be paid in any jurisdiction in connection with the issue and delivery of Conversion Shares to the Conversion Shares Depository), converted, if necessary, into pounds sterling at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs as determined in good faith by the Issuer).

“Amounts Due” has the meaning given in Condition 18(e).

“Approved Entity” has the meaning given to it in Condition 7(f)(vi)(C).

“Assets” has the meaning given to it in Condition 3(b).

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

“Bail-In Legislation” has the meaning given in Condition 18(e).

“Bail-in Power” has the meaning given in Condition 18(e).

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

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

“Capital Disqualification Event” has the meaning given to it in Condition 6(c).

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

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

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

“**Code**” has the meaning given to it in Condition 5(b).

“**Common Equity Tier 1**” means, as at any date, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital (as that term is used in the Regulatory Capital Requirements) of the Group as at such date, less any deductions from common equity tier 1 capital of the Group required to be made as at such date, in each case as calculated by the Issuer (or the Supervisory Authority or any agent appointed by it for such purpose) on a consolidated basis, in accordance with the then-prevailing Regulatory Capital Requirements (but without applying any transitional, phasing in or similar provisions if and to the extent the Supervisory Authority then requires them to be disregarded for the purpose of determining whether a Trigger Event has occurred).

“**Common Equity Tier 1 Capital Ratio**” means, as at any date, the ratio of Common Equity Tier 1 of the Group as at such date to the Risk Weighted Assets of the Group as at the same date, as calculated by the Issuer (or the Supervisory Authority or any agent appointed by it for such purpose) and expressed as a percentage and on the basis that all measures used in such calculation shall be calculated without applying any transitional, phasing in or similar provisions if and to the extent the Supervisory Authority then requires them to be disregarded for the purpose of determining whether a Trigger Event has occurred.

“**Compliant Securities**” means securities issued by the Issuer (on a subordinated basis equivalent to the subordination set out in Condition 3) that:

- (i) have terms not materially less favourable to an investor than the terms of the Securities (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 certification to such effect (including as to such consultation) of an Authorised Signatory shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities); and
- (ii) subject to (i) above, (1) are eligible as Additional Tier 1 Capital; (2) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Securities; (3) rank *pari passu* with the ranking of the Securities; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) contain terms providing for the conversion or write-down of the principal amount of such securities only if such terms are not materially less favourable to holders of the securities than the corresponding provisions of the Securities; and (6) preserve any existing rights under these Conditions to any accrued and unpaid interest or other amounts which have not been paid (but without prejudice to the ability of the issuer of the Compliant Securities to cancel such amounts under terms thereof substantially the same as the cancellation rights under these Conditions); and

- (iii) are listed and/or admitted to trading on the same stock exchange as that on which the Securities are, immediately prior to the relevant substitution or variation, listed and/or admitted to trading, or are listed and/or admitted to trading on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer.

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

“**Conversion**” has the meaning given to it in Condition 7(a).

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

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

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

“**Conversion Date**” means the date specified as such in the Trigger Event Notice in accordance with Condition 7(a), being a date no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of the Trigger Event.

“**Conversion Notice**” means a notice in the form for the time being currently available from the specified office of any Agent and which is required to be delivered by (or on behalf of) a Securityholder to the Conversion Shares Depository (or its agent(s) designated for the purpose in the Trigger Event Notice) in order to receive any Conversion Shares or, as the case may be, Alternative Consideration to which it is entitled following a Conversion of the Securities, and which may contain, *inter alia*: (i) details of a CREST account and/or mailing address to which any Ordinary Shares to be delivered to such Securityholder (or the certificate in respect thereof) should be delivered; (ii) details of a sterling bank account to which any cash component of any Alternative Consideration payable to such Securityholder should be paid; and (iii) a representation that the relevant Holder is entitled to take delivery of any Ordinary Shares in the manner contemplated in these Conditions and has obtained all (if any) consents needed in order to do so.

“**Conversion Price**” has the meaning given to it in Condition 7(a).

“**Conversion Shares**” has the meaning given in Condition 7(a).

“**Conversion Shares Delivery Date**” means the date on which the Conversion Shares are (or are required to be) delivered to the Conversion Shares Depository, which may be the Conversion Date but in any event shall be no later than the fifth Business Day following the Conversion Date.

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

“Conversion Shares Offer” has the meaning given to it in Condition 7(d)(i).

“Conversion Shares Offer Election Notice” has the meaning given to it in Condition 7(d)(i).

“Conversion Shares Offer Period” has the meaning given to it in Condition 7(d)(ii).

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

“CREST” means the dematerialised securities trading system operated by Euroclear UK & Ireland Limited.

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

(a) for the purposes of Condition 7(e)(iv) in circumstances where the relevant event relates to an issue of Ordinary Shares, if at any time during the Relevant Period (which may be on each of the five Trading Days comprised therein) the VWAP shall have been based on a price ex-dividend (or ex- any other entitlement) and/or during some other part of that Relevant Period (which may be on each of the five Trading Days comprised therein) the VWAP shall have been based on a price cum- dividend (or cum- any other entitlement), in any such case which has been declared or announced, then:

(i) if the Ordinary Shares to be issued do not rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price cum- such dividend (or cum- such any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of such dividend or entitlement per Ordinary Share as at the Ex-Date in respect of such dividend or entitlement (or, where on each of the five Trading Days comprised in the Relevant Period the VWAP shall have been based on a price cum- such dividend (or cum- such other entitlement), as at the date of first public announcement of such dividend or entitlement); or

(ii) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price ex- such dividend (or

ex- such other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of such dividend or entitlement per Ordinary Share as at the Ex-Date in respect of such dividend or entitlement; and

- (b) for any other purpose, if any day during the Relevant Period was the Ex-Date in relation to any dividend (or any other entitlement) the VWAPs that shall have been based on a price cum- such dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of such dividend (or other entitlement) per Ordinary Share as at the Ex-Date in respect of such dividend (or other entitlement),

all as determined by the Conversion Calculation Agent.

“**Day-Count Fraction**” has the meaning given to it in Condition 4(c).

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

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

“**EU Regulated Market**” has the meaning given to it in Condition 7(f)(vi)(D).

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

“**Ex-Date**” means, in respect of any dividend or other entitlement (including without limitation any Cash Distribution or issue or grant as referred to in Condition 7(e)(iv)), the first Trading Day on which the Ordinary Shares are traded ex- such dividend or other entitlement on the Relevant Stock Exchange in respect of the Ordinary Shares.

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

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

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

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

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

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

“**Financial Year**” means the financial year of the Issuer (being the one-year period in respect of which it prepares annual audited unconsolidated financial statements) from time to time, which as at the Issue Date runs from (and including) 1 August in one calendar year to (but excluding) the same date in the immediately following calendar year;

“**First Reset Date**” has the meaning given in Condition 4(b)(i).

“**Further Securities**” has the meaning given in Condition 16.

“**Group**” means the Issuer and each entity which forms part of the Issuer’s consolidated situation (as that term, or its successor, is used in the Regulatory Capital Requirements) from time to time.

“**Holding Company**” has the meaning given to it in the Trust Deed.

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

“Initial Conversion Price” has the meaning given to it in Condition 7(a).

“Initial Interest Rate” has the meaning given to it in Condition 4(b)(i).

“Interest Payment Date” has the meaning given to it in Condition 4(b).

“Interest Period” has the meaning given to it in Condition 4(b).

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

“Issue Date” means 29 November 2023.

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

“Junior Obligations” means (i) any Ordinary Share or other securities of the Issuer ranking, or expressed by their terms to rank, junior to the Securities in a winding-up or administration of the Issuer prior to the occurrence of a Trigger Event (as described in Condition 3(d)(i)) and/or (ii) any securities issued by any other member of the Group where the terms of such securities benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed by its terms to rank, junior to the Securities in a winding-up or administration of the Issuer prior to the occurrence of a Trigger Event (as described in Condition 3(d)(i)).

“Liabilities” has the meaning given to it in Condition 3(b).

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

“Margin” has the meaning given to it in Condition 4(d).

“Maximum Distributable Amount” means any applicable maximum distributable amount relating to the Group required to be calculated in accordance with Chapter 4 (*Capital Conservation Measures*) of the Part of the PRA Rulebook with title “*Capital Buffers*” (as the same may be amended or replaced) and/or in accordance with any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Group is failing to meet any applicable requirements or any buffers relating to such requirement.

“New Conversion Condition” has the meaning given to it in Condition 7(f)(vi)(E).

“New Conversion Condition Effective Date” has the meaning given to it in Condition 7(f)(vi)(F).

“New Conversion Price” has the meaning given to it in Condition 7(f)(vi)(G).

“Newco Scheme” means a scheme of arrangement or analogous proceeding (**“Scheme of Arrangement”**) which effects the interposition of a limited liability company (**“Newco”**) between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the **“Existing Shareholders”**) and the Issuer; *provided that*:

- (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders;
- (ii) immediately after completion of the Scheme of Arrangement, the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement (disregarding any nominal holdings of any initial subscriber(s) of Newco, if applicable);
- (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer;
- (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and
- (v) immediately after completion of the Scheme of Arrangement, the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

“Non-Qualifying Relevant Event” has the meaning given to it in Condition 7(f)(vi)(H).

“Notional Preference Share” has the meaning given to it in Condition 3(d)(i).

“Ordinary Shares” means the ordinary voting shares in the capital of the Issuer having, as at the Issue Date, a nominal value of £0.25 each (or, in the event of an Exempt Newco Scheme, the ordinary shares of the Newco).

“own funds instruments” has the meaning given in the Regulatory Capital Requirements.

“**own funds items**” has the meaning given in the Regulatory Capital Requirements.

“**Parity Obligations**” means any obligations of the Issuer (including guarantee or other support obligations) which rank, or are expressed by their terms to rank, *pari passu* with the Issuer’s obligations in respect of the Securities on a winding-up of the Issuer prior to a Trigger Event (as described in Condition 3(d)(i)).

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

“**Pillar 3 Disclosures**” means the Issuer’s published disclosures with respect to (amongst other things) its capital resources and capital adequacy pursuant to the requirements under Part Eight of Regulation (EU) No 575/2013 as it forms part of United Kingdom domestic law by virtue of the EUWA (including under the rules and guidelines promulgated thereunder) or pursuant to such other equivalent or similar capital adequacy disclosure requirements as may be applicable to the Issuer and/or the Group from time to time pursuant to the Regulatory Capital Requirements.

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

“**PRA Rulebook**” means the PRA Rulebook as it applies to CRR firms (as defined therein) maintained by the Supervisory Authority, as amended or replaced from time to time.

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

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

“**Proceedings**” has the meaning given to it in Condition 17(b).

“**Qualifying Relevant Event**” has the meaning given to it in Condition 7(f)(vi)(J).

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

“**Record Date**” has the meaning given to it in Condition 5(a).

“Reference Date” means, at any time, the later of (i) the Issue Date and (ii) if any Further Securities have been issued pursuant to Condition 16, the then-latest date of issue of any such Further Securities.

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

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

“Regulated Market” has the meaning given to it in Condition 7(f)(vi)(K).

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

“Regulatory Capital Requirements” means, at any time, any requirement or provision contained in the laws and regulations of the United Kingdom or the requirements, guidelines and policies of the Supervisory Authority (whether or not having the force of law) then in effect in the United Kingdom relating to capital adequacy and prudential supervision (including as regards the requisite features of own funds instruments) and/or to the resolution of credit institutions (including as regards any minimum requirement for own funds and eligible liabilities) and, in each case, applicable to the Issuer and/or the Group.

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

- (a) in the case of any redemption or purchase at any time, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that either:
 - (i) the Issuer has (or by no later than the date of the relevant redemption or purchase will have) replaced the Securities being redeemed or purchased with own funds instruments of equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
 - (ii) the own funds and eligible liabilities of the Group would, following such redemption or purchase, exceed its minimum requirements (including any applicable buffer requirements) by a margin that the Supervisory Authority considers necessary at such; and
- (b) in respect of any redemption or purchase proposed to be made prior to the fifth anniversary of the Reference Date:
 - (i) in the case of a redemption upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that (1) the relevant change (or pending change) in tax

treatment is material and (2) the relevant Tax Law Change was not reasonably foreseeable as at the Reference Date; or

- (ii) in the case of a redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change (or pending change) in the regulatory classification of the Securities is sufficiently certain and was not reasonably foreseeable as at the Reference Date; or
- (iii) in respect of any purchase pursuant to Condition 6(e), the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the Issuer has (or by no later than the time of settlement of such purchase will have) replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
- (iv) in respect of any purchase pursuant to Condition 6(e), the Issuer (or the relevant Subsidiary) having purchased the Securities for market-making purposes,

provided that if, at the time of any redemption or purchase, the prevailing Regulatory Capital Requirements permit the relevant redemption or purchase only after compliance with one or more alternative or additional pre-conditions to those set out in paragraphs (a) and (b) of this definition, the “**Regulatory Preconditions**” shall mean (in the alternative or, as the case may be, in addition to the foregoing) such other pre-condition(s) as are then so required for such redemption or purchase by the prevailing Regulatory Capital Requirements;

and *provided further that* the granting of approval by the Supervisory Authority in respect of any redemption or purchase of Securities shall be treated by the Issuer, the Trustee, the Securityholders and all other interested parties as conclusive and sufficient evidence of the satisfaction of the Regulatory Preconditions.

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

“**Relevant Date**” means whichever is the later of: (1) the date on which the payment in question first becomes due; and (2) if the full amount payable has not been received by the Registrar or another Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Securityholders in accordance with Condition 12.

“**Relevant Event**” has the meaning given to it in Condition 7(f)(vi)(L).

“**Relevant Event Notice**” has the meaning given to it in Condition 7(f)(v).

“Relevant Shares” has the meaning given to it in Condition 7(f)(vi)(M).

“Relevant Stock Exchange” means:

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

and the **“principal”** stock exchange or securities market for the purposes of (i) and (ii) above shall be determined by the Conversion Calculation Agent or an Independent Adviser, having regard to such matters as it considers appropriate;

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

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

“Reset Determination Date” has the meaning given to it in Condition 4(d).

“Reset Interest Rate” has the meaning given to it in Condition 4(d).

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

“Reset Reference Bank Rate” has the meaning given to it in Condition 4(d).

“Reset Reference Banks” has the meaning given to it in Condition 4(d).

“Resolution Authority” has the meaning given in Condition 18(e).

“Risk Weighted Assets” means, as at any date, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Group as at such date, as calculated by the Issuer (or the Supervisory Authority or any agent appointed by it for such purpose) on a consolidated basis, in accordance with the then-prevailing Regulatory Capital Requirements (but without applying any transitional, phasing in or similar provisions if and to the extent the Supervisory Authority then requires them to be disregarded for the purpose of determining whether a Trigger Event has occurred).

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

“**Securities**” has the meaning given to it in the preamble to these Conditions, and “**Security**” shall be construed accordingly.

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

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

“**set-off**” has the meaning given to it in Condition 3(c).

“**Settlement Date**” means, with respect to a Holder seeking to obtain Ordinary Shares or Alternative Consideration, as the case may be, from the Conversion Shares Depositary (or its agent):

- (i) the third Business Day after the day on which such Holder delivers the relevant Conversion Notice to the Conversion Shares Depositary (or its agent); or
- (ii) (in the case of Alternative Consideration, including any Ordinary Share component thereof) the third Business Day after the later of (a) the day on which the Conversion Shares Offer Period expires (or, if later, the day of receipt by the Conversion Shares Depositary of the consideration payable in respect of such Conversion Shares Offer) or is terminated and (b) the date on which the relevant Conversion Notice has been so received by the Conversion Shares Depositary (or its agent).

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

“**Solvency Condition**” has the meaning given to it in Condition 3(b).

“**solvent**” has the meaning given to it in Condition 3(b).

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

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

“**Supervisory Authority**” means, as the context admits: (i) the PRA and any successor or replacement thereto or such other authority having primary responsibility for the prudential oversight and supervision of the Issuer and/or the Group; and/or (ii) the Bank of England and any successor or replacement thereto or such other authority having primary responsibility for the resolution of the Issuer and/or the Group.

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

“**Taxes**” has the meaning given to it in Condition 8(a).

“**Taxing Jurisdiction**” has the meaning given to it in Condition 8(a).

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

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

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

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

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

a “**Trigger Event**” will occur if, at any time, the Common Equity Tier 1 Capital Ratio of the Group falls below 7.00 per cent., as determined by the Issuer (or by the Supervisory Authority or any agent appointed by the Supervisory Authority for such purpose and notified to the Issuer), such determination to be binding on the Holders of the Securities.

“**Trigger Event Notice**” has the meaning given to it in Condition 7(a).

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

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

“**UK**” means the United Kingdom.

“**UK Regulated Market**” has the meaning given to it in Condition 7(f)(vi)(N).

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

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

“Winding-Up” means that:

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

(b) *Interpretation*

For the purposes of these Conditions:

- (i) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment;
- (ii) references to “**ordinary share capital**” have the meaning provided in Section 1119 of the Corporation Tax Act 2010 and “**equity share capital**” has the meaning provided in Section 548 of the Companies Act;
- (iii) references to any issue or offer or grant to Shareholders or Existing Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in

any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;

- (iv) in making any calculation or determination of Current Market Price or VWAP, such adjustments (if any) shall be made as the Conversion Calculation Agent or an Independent Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event; and
- (v) for the purposes of Condition 7, (1) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall, unless otherwise expressly specified, include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (2) Ordinary Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 7(e)(iv), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue” or “issued” or entitled to receive the relevant dividend, right or other entitlement.

DESCRIPTION OF THE ORDINARY SHARES

Share Capital

As at 17 November 2023, the Issuer's share capital consists of 150,472,242¹ ordinary shares of 25 pence each in the capital of the Issuer (the "**Ordinary Shares**").

Memorandum and Articles of Association

The Issuer's articles of association (the "**Articles of Association**") were adopted by a special resolution of the Issuer on 19 November 2020. A summary of the material provisions of the Articles of Association in respect of the Ordinary Shares is set out below.

Objects of the Issuer

The objects of the Issuer are unrestricted.

General

There are no limitations imposed by English law or the Articles of Association restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

Ordinary Shares

The Ordinary Shares rank *pari passu* with each other in all respects. Fully paid Ordinary Shares confer identical rights in respect of capital, dividends, voting and otherwise.

Voting Rights

For the purposes of determining which persons are entitled to attend or vote at a meeting of the Issuer and how many votes such persons may cast, the Issuer may, pursuant to the Uncertificated Securities Regulations 2001 (as amended) (the "**Regulations**"), specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on a register of members of the Issuer kept pursuant to the Companies Act. Every holder of Ordinary Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of the Issuer and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every Ordinary Share held by them.

Unless the Board determines otherwise, no member is entitled to attend or vote at a general meeting in respect of any Ordinary Share held by them unless all calls or other sums presently payable in respect of that Ordinary Share have been paid. Restrictions on the right of a member to attend or vote at a general meeting may be imposed on any member if the member fails to comply within the relevant period with a statutory notice issued by the Issuer under the Companies Act requiring disclosure of interests in the Ordinary Shares or, in purported compliance with such a notice, makes a statement which is false or inadequate in any material particular.

¹ Excluding treasury shares.

General Meetings

The Issuer must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing, provided that a special resolution authorising this shorter notice period has been passed by the shareholders of the Issuer. Such authority was renewed at the Issuer's most recent annual general meeting held on 16 November 2023. The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. In any such case, the Board will direct that the meeting be held at a specified place, where the chairman of the meeting shall preside. The chairman of a general meeting shall take such action or give such directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper conduct of the meeting. Annual general meetings of the Issuer are to be held at such time and in such place as the Board may determine. The Board also has the option to allow shareholders to attend and participate in the business of a general meeting by means of electronic facility.

Dividends and other Distributions and Return of Capital

The Issuer may, by ordinary resolution, declare dividends to be paid to holders of Ordinary Shares, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends as they think fit and may also pay the fixed dividends payable on any Ordinary Shares half-yearly or otherwise on fixed dates.

The Board may, with the prior authority of an ordinary resolution, offer to any holder of Ordinary Shares the right to elect to receive assets, in particular paid up shares or debentures of any other company, instead of cash in respect of any dividend specified by the ordinary resolution.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the shareholders as if it were distributed by way of dividend and in the same proportions, and the Board shall apply such sum on the shareholder's behalf either in or towards paying up the amounts unpaid at the relevant time on any Ordinary Shares in the Issuer held by those shareholders respectively or in paying up in full shares, debentures or other obligations of the Issuer to be allotted and distributed credited as fully paid up to such holders of Ordinary Shares (or partly in the one way and partly in the other).

All dividends shall be apportioned and paid proportionately to the percentage of the amount paid up on the Ordinary Shares during any portion(s) of the period in respect of which the dividend is paid. Any dividend or other monies payable in respect of an Ordinary Share may be paid in such currency as the Board may determine.

Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend or the date on which it became due for payment may be forfeited and reverted to the Issuer. Subject to the rights attaching to any shares, no dividends or other monies payable on or in respect of a share shall bear interest against the Issuer.

On a return of capital, whether in a winding-up or otherwise, the Ordinary Shares will rank equally in all respects.

Variation of Rights and Alteration of Capital

The rights attached to any class of shares in the Issuer (including the Ordinary Shares) or any of such rights may (subject to their terms of issue) be abrogated or varied with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles of Association relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any one holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

As a matter of English law, the Issuer may:

- (a) by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger nominal amount, and sub-divide all or any of its shares into shares of smaller amount; and
- (b) by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other statutory reserves in any way.

Transfer of Shares

All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instrument must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid up, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in a register of members of the Issuer in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a computer-based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument (a “**relevant system**”).

The Board may refuse to register any transfer of certificated shares where the transfer:

- (a) relates to any share which is not a fully paid share;
- (b) relates to more than one class of shares;
- (c) is in favour of more than four persons jointly; and/or
- (d) is not duly stamped or certificated (if required).

The Board may also refuse to register a transfer of uncertificated shares:

- (a) where the transfer is in favour of more than four persons jointly; and/or
- (b) in such other circumstances as may be permitted or required by the Regulations.

Subject to applicable law, any class of shares may be held, registered, converted to, transferred or otherwise dealt with, in uncertificated form or certificated form and converted from uncertificated form to certificated form.

Disclosure of Holdings Exceeding Certain Percentages

The Disclosure Guidance and Transparency Rules of the FCA require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent and each 1 per cent threshold thereafter up to 100 per cent. Under the Disclosure Guidance and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in shares in the Issuer has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and has failed in relation to any shares (the "default shares"), to supply the information requested within the period set out in the notice, then unless the Board otherwise determines, the shareholder is not entitled to be present at or to vote on the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. Unless the Board otherwise determines, if the default shares represent at least 0.25 per cent in nominal value of the issued shares of that class, any dividend shall be withheld by the Issuer without interest, no election may be made for any scrip dividend alternative, and no transfer of any shares held by the shareholder will be registered except in limited circumstances.

Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules

Other than as provided by the Companies Act and the Takeover Code of the UK, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

Untraced Members

The Issuer is empowered to sell, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer within three months following the Issuer giving notice of its intention to sell the shares (it being a condition that, before sending such notice to the holder's last known address, the Issuer shall use reasonable efforts to trace the relevant holder or person entitled to the transmission); provided that during the 12-year period at least three cash dividends have become payable and no such dividend has been claimed.

The Issuer will be obliged to account to the member for the proceeds of the disposal unless and until the member has forfeited its entitlement; for these purposes, no valid claim for the money has been received by the Issuer during a period of two years from the date on which the relevant shares were sold by the Issuer, the money will be forfeited and will belong to the Issuer.

Forfeiture and Lien

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the Board requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Board to that effect (including all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to the Issuer all monies which at the date of forfeiture were presently payable together with interest (at a rate not exceeding the Bank of England base rate by more than five per cent) without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal unless the directors decide otherwise.

A forfeited share becomes the property of the Issuer, and it may be sold, re-allotted, otherwise disposed of or cancelled as the Board may determine.

The Issuer has a priority lien on every share which is not fully paid, to the extent and in the circumstances permitted by the Companies Act.

The Board may sell all and any of the shares subject to any lien as it may determine, where monies have been called or are payable and a demand has been made in respect thereof and has not been complied with. Any share on which the Issuer has a lien may be sold on the terms set out in the Articles of Association. The net proceeds of sale shall first be applied towards payment of the Issuer's expenses associated with the sale, then towards any amount in respect of the lien insofar as it is still payable and then, on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

Winding-Up

On a winding-up of the Issuer, the Ordinary Shares rank equally in all respects and distributions of the Issuer's assets to holders of Ordinary Shares will be made in accordance with applicable insolvency laws.

Admission to Trading of the Ordinary Shares

The Ordinary Shares are listed on the Official List of the FCA and are admitted to trading on the main market of the London Stock Exchange's regulated market for listed securities. The London Stock Exchange is a key element of the financial infrastructure in the UK. It dates back to 1801 and the London Stock Exchange's regulated market is regulated by the FCA.

On 17 November 2023, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £1.64 million. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Ordinary Shares is GB0007668071.

Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

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

Initial Issue of Certificates

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

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 Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Securities 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 Security 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 Security for so long as the Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to, or to the order of, the registered 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 Securities held in Euroclear or Clearstream, Luxembourg or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Securities represented by the Global Certificate pursuant to Condition 2 may only be made in part:

- (a) if the Securities 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

- (b) upon or following any failure to pay principal in respect of any Securities when it is due and payable,

provided that, in the case of the first transfer of part of a holding pursuant to (a) or (b) above, the holder of the Securities 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 Securities 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 Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the total aggregate amount of the Securities represented by the Global Certificate, and not per Calculation Amount as provided in Condition 4(c).

Payments

All payments in respect of Securities 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 5(a)) 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.

Notices

For so long as the Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, notices may be given to the Securityholders by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to their respective accountholders in substitution for publication as required by the Conditions provided that, for so long as the Securities are admitted to trading on the ISM or listed or admitted to trading on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the date of delivery or publication which, in the case of communication through Euroclear and Clearstream, Luxembourg, shall mean the date on which the notice is delivered to Euroclear and Clearstream, Luxembourg.

Prescription

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

Meetings

For the purposes of any meeting of the Securityholders, the holder of the Securities represented by the Global Certificate shall be treated as being entitled to one vote in respect of each £1.00 in principal amount of the Securities.

Electronic Consent and Written Resolution

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

- (a) where the terms of the proposed resolution have been notified to the Securityholder through the relevant clearing system(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding (“Electronic Consent”). Neither the Issuer nor the Trustee shall be liable or responsible to anyone for such reliance; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system(s) with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and/or the Trustee (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Securityholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes (without limitation) any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Securities. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s 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 Securities is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having

rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Conversion

Any Conversion of Securities held in Euroclear or Clearstream, Luxembourg will be effected in accordance with the procedures set out in the Trigger Event Notice referred to in Condition 7(a) and otherwise in accordance with the relevant procedures of Euroclear and Clearstream, Luxembourg. Notwithstanding the provisions of Condition 7(c), if the Securities are represented by the Global Certificate and held through Euroclear or Clearstream, Luxembourg, the Securityholder shall give a notice to the Conversion Shares Depository in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg.

Suspension

Any Conversion Shares Offer Election Notice shall provide details of the Suspension Date (if not previously specified in the Trigger Event Notice) and the notice requirements contained in Condition 7(c) shall be amended accordingly (including that notice shall be given, if required, of any amendment to Long-Stop Date previously specified in the Trigger Event Notice).

The Issuer may specify a Suspension Date in the Trigger Event Notice and then subsequently amend that date in the Conversion Shares Offer Election Notice (and any notice of termination of the Conversion Shares Offer).

“Suspension Date” means a date specified by the Issuer in the Trigger Event Notice or the Conversion Shares Offer Election Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which the Clearing Systems shall suspend all clearance and settlement of transactions in the Securities in accordance with their rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of the applicable Clearing System(s). Any Conversion Notice delivered prior to the day following the Suspension Date shall be void.

Delivery of the Alternative Consideration, if applicable, following a Conversion of the Securities shall be made by the Conversion Shares Depository in accordance with the applicable Clearing System’s practices from time to time. The Conversion Notice must be given in accordance with the standard procedures of the applicable Clearing System(s) (which may include, without limitation, delivery of the notice to the Conversion Shares Depository by electronic means) and in a form acceptable to the applicable Clearing System(s) and the Conversion Shares Depository.

Cancellation

Cancellation of any Securities following its redemption or purchase by the Issuer or any of the subsidiaries of the Issuer, or following a Conversion, will be effected by reduction in the aggregate principal amount of the Securities in the Register of Securityholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Prescription

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

Record Date

For so long as all Securities are held in Euroclear and Clearstream, Luxembourg, the “**record date**” shall be determined in accordance with Condition 5(a) except that the words “fifteenth day” shall be deemed to be replaced with “ICSD Business Day” (where “**ICSD Business Day**” means a day on which Euroclear and Clearstream, Luxembourg are open for business).

Euroclear and Clearstream, Luxembourg

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

USE OF PROCEEDS

The net proceeds of the issue will be used by the Issuer for general corporate purposes of the Group and to further strengthen the Group's regulatory capital base. It is the Group's intention to downstream all or the majority of the proceeds of the issuance of the Securities to Close Brothers Limited on a like-for-like basis.

DESCRIPTION OF THE ISSUER AND THE GROUP

History and Development of the Issuer

The Issuer was incorporated in England and Wales on 3 June 1953 under the name “Safeguard Industrial Investments Limited” as a company with limited liability under the Companies Act 1948 with registered number 520241.

On 4 December 1981, it was re-registered as a public limited company under the Companies Acts 1948 to 1980 and, on 30 November 1984, its name was changed to “Close Brothers Group plc”.

The Issuer has its principal place of business and registered office at 10 Crown Place, London EC2A 4FT and its telephone number is +44 (0)333 321 6100.

The ordinary shares of the Issuer are listed on the Official List of the FCA and traded on the main market of the London Stock Exchange plc. As at the date of this Offering Circular, the Issuer is a constituent member of the FTSE 250. As at 17 November 2023, the Issuer had a market capitalisation of £1.16 billion.

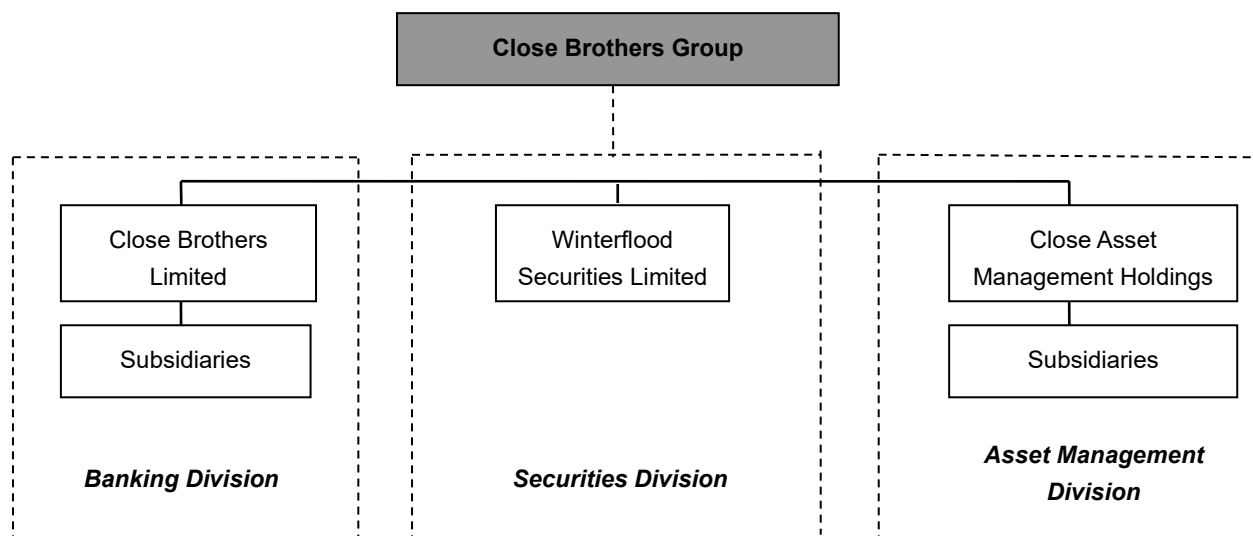
The Issuer is the ultimate holding company of a group of companies engaged in specialist financial services.

Overview of the Group

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. The Group employs approximately 4,000 people, principally in the United Kingdom and Ireland. Close Brothers Group plc is listed on the London Stock Exchange and is a constituent of the FTSE 250.

Key points of difference at Close Brothers are the Group’s specialism and expertise, long-term approach and the discipline behind a proven and resilient model. These allows the Group to be well positioned to deliver growth, profitability and returns to its shareholders, building on a strong historical track record.

The Group is structured into three primary divisions being the Close Brothers Limited and its subsidiaries (also referred to as the Bank), Winterflood Securities and Asset Management:



Funding and liquidity

The Group's Treasury function is focused on managing funding and liquidity to support the Banking businesses, as well as interest rate risk. This incorporates the Savings business, which provides simple and straightforward savings products to both individuals and businesses, whilst being committed to providing the highest level of customer service.

The Group's conservative approach to funding is based on the principle of "borrow long, lend short", with a spread of maturities over the medium and longer term, comfortably ahead of a shorter average loan book maturity. The Group's funding draws on a wide range of wholesale and deposit markets including several public debt securities at both group and operating company level, as well as public and private secured funding programmes and a diverse mix of customer deposits.

The Group remains soundly funded with access to total funding of £12.4 billion as at 31 July 2023, funding the loan book of £9.5 billion. The Group has a diverse funding base and currently utilises:

- senior unsecured debt and subordinated debt;
- other facilities including securitisations and the government's Term Funding Scheme
- retail deposits;
- corporate deposits; and
- equity.

The Group follows the "borrow long, lend short" principle and take a conservative approach to liquidity management, with liquidity levels comfortably ahead of both internal risk appetite and regulatory requirements.

The Group continued to maintain higher liquidity relative to the pre-Covid-19 position to provide additional flexibility given the uncertain UK economic outlook, whilst enabling us to maximise any opportunities available.

At 31 July 2023, the Group had £2.2 billion of treasury assets which were predominantly held on deposit with the Bank of England.

Capital Management Framework

As at 31 July 2023, the Group's CET1 Capital Ratio was 13.3 per cent. when applying permitted transitional arrangements (relating to IFRS 9) under the UK CRR, and would have been 13.0 per cent. if disregarding such arrangements.

The prudent management of the Group's financial resources is a core part of its business model. The Group's primary objective is to deploy capital to support disciplined loan book growth in Banking and to make the most of strategic opportunities. These include strategic initiatives and small acquisitions in existing or adjacent markets that fit with the Group's business model.

The Board remains committed to the Group's dividend policy, which aims to provide sustainable dividend growth year-on-year, while maintaining a prudent level of dividend cover.

The Group remains committed to optimising its capital structure, including the issuance of debt capital market securities if appropriate. In line with the Group's Capital Management framework, it is targeting a CET1 capital ratio range of 12 per cent. to 13 per cent. over the medium term, which will allow the Group to maintain a buffer to minimum regulatory requirements while also retaining the flexibility for growth. The Group remains encouraged by the available opportunities to deploy capital to deliver disciplined growth, which remains one of the Group's key strategic priorities. The board will assess the potential for further distributions to shareholders based on future opportunities.

A description of the Group's three divisions is set out below:

Banking

Overview

The Banking division is comprised of Close Brothers Limited ("**CBL**"), a subsidiary of the Issuer, along with a number of its subsidiaries. CBL is a bank and is authorised to accept deposits under FSMA, is authorised by the PRA and is regulated by the FCA and the PRA.

The Banking division provides a range of banking services and specialist finance solutions focused on secured lending to SMEs, professionals and consumers, mainly in the UK as well as in the Republic of Ireland, the Channel Islands and Germany, through three lending businesses: (i) Commercial, which lends to small and medium-sized enterprises ("**SMEs**") through a direct sales force and third-party distribution channels; (ii) Retail, which provides finance to individuals and businesses through a network of intermediaries; and (iii) Property, which provides short term residential development finance for experienced professionals.

Commercial

The Commercial business comprises both Asset Finance and Invoice and Speciality Finance.

Asset Finance provides commercial asset financing, hire-purchase and leasing solutions for a diverse range of assets and sectors to over 28,000 customers. The Asset Finance business had a loan book of £3.4 billion as at 31 July 2023, with a typical maturity of 3 to 4 years and an average loan size of c. £57,000.

Invoice and Speciality Finance works with c.6,000 small businesses to provide debt factoring, invoice discounting and asset-based lending and includes some of our smaller specialist businesses. The Invoice and Speciality Finance business had a loan book of £1.4 billion as at 31 July 2023, with a typical maturity of 3 months and an average loan size of c. £595,000.

Retail

The Retail business comprises both Motor Finance and Premium Finance.

Motor Finance provides several products at point of sale in a dealership, or online via a broker, which allow consumers to buy vehicles from over 4,200 retailers in the UK. The Motor Finance business had a loan book of £1.9 billion as at 31 July 2023, with typical maturity of 4 years and an average loan size of c. £7,000.

Premium Finance helps make insurance payments more manageable for people and businesses, by allowing them to spread the cost over fixed instalments. It works with 1,400 insurance brokers in the UK and Ireland. The Premium Finance business had a total loan book of £1.1 billion as at 31 July 2023, with typical maturity of 11 months and an average loan size of c. £500.

Property

Property provides short-term residential development finance for experienced professionals through *Property Finance* and offers refurbishment and bridging loans through *Commercial Acceptances*. It lends to c.700 professional property developers with a focus on small to medium-sized residential developments. The Property business had a loan book of £1.7 billion as at 31 July 2023, with a typical maturity of 12 to 24 months development and 36 to 60 months investment, and an average loan size of c. £1.5 million. The portfolio does not include any mortgages, buy-to-let mortgages or mezzanine finance.

LTV ratios and underwriting model

CBL is a predominantly secured lender, focusing on small ticket short tenor deals, with conservative loan to value (“**LTV**”) ratios, with typical LTV ratios ranging from 80-90 per cent. in the Motor Finance business, 90-100 per cent. in the Asset Finance business, 70-90 per cent. in the Invoice and Speciality Finance business and 50-65 per cent. in the Property business as at 31 July 2023. The underwriting model is well established and is based on local, specialist underwriting expertise with strong central oversight, resulting in a strong credit performance with loan losses limited to 0.6-2.3 per cent. over the 10-year period to 31 July 2023 and an average of 1.0 per cent.

Employees

The Banking division has over 2,800 employees.

Performance

The following table sets out a summary of certain information relating to the Banking division's performance for the financial year ended 31 July 2023 and for the 10-year average over the financial years ended 31 July 2014 to 31 July 2023.

	10-year average	Financial year ended 31 July 2023
Return on opening equity²	17.7%	6.6%
Return on net loan book³	2.9%	1.3%
Bad debt ratio⁴	1.1%	2.2%
Net interest margin⁵	8.0%	7.7%
Loan book growth⁶	7.1%	4.7%

Asset Management

The Asset Management division, which has specialised in managing client portfolios for over 40 years, provides personal financial advice and investment management services to private clients in the UK. The investment management services offering includes full bespoke management, managed portfolios and funds, distributed both directly via the Asset Management division's own advisers and investment managers and through third party independent financial advisors.

As at 31 July 2023, the business had total managed assets of £16.4 billion and total client assets (which include advised assets under third party management) of £17.3 billion. Total client assets have increased by £5.5 billion since 31 January 2018.

The Asset Management division has over 750 employees.

² Banking division's adjusted operating profit after tax and non-controlling interests on opening equity, excluding non-controlling interests.

³ Adjusted operating profit from lending activities on average net loans and advances to customers and operating lease assets.

⁴ Impairment losses on average net loans and advances to customers and operating lease assets.

⁵ Net income generated by lending activities, including net interest income, net fees and commissions and net operating lease income (deducting depreciation), on average net loans and advances to customers and operating lease assets.

⁶ Includes operating lease assets of £223.4 million as at 31 July 2023 (31 July 2022: £185.4 million) relating to Asset Finance and £47.8 million as at 31 July 2023 (31 July 2022: £54.6 million) relating to Invoice and Speciality Finance.

The following table sets out a summary of the adjusted operating profit of the Asset Management division for each of the financial years ended on 31 July 2018 to 31 July 2023.

Financial year	2018	2019	2020	2021	2022	2023
Adjusted ⁷ operating profit (£m)	23.1	21.8	20.4	23.7	21.7	15.9

Securities

The principal trading company in the Securities division is Winterflood Securities Limited (“**Winterflood**”), a subsidiary of the Issuer. Winterflood is a leading UK market-maker delivering high-quality execution services to execution platforms, stockbrokers, wealth managers and institutional investors. It trades in over 15,500 instruments in the UK and overseas and trades with over 600 institutional asset managers, retail stockbrokers, wealth managers, platforms and other market counterparties, with a specialist team focused on investment trusts.

Winterflood Business Services (“**WBS**”) is a separate business within the Securities division. Founded in January 2010, WBS provides outsourced dealing and custody services to over 50 corporate clients.

Winterflood’s income is predominantly trading income from its market-making activities. During the financial year ended 31 July 2023, Winterflood traded an average of 60,000 bargains per day, marginally above pre-pandemic levels (2019: 56,000).

The Securities division has over 300 employees.

The following table sets out a summary of the adjusted operating profit of the Securities division and the number of loss days per year for the Securities division for each of the financial years ended on 31 July 2018 to 31 July 2023.

Financial year	2018	2019	2020	2021	2022	2023
Adjusted operating profit (£m)	28.1	20.0	47.9	60.9	14.1	3.5
Number of loss days in year	0	2	7	1	8	1

⁷ Stated before amortisation of intangible assets on acquisition. Adjusted measures are used to increase comparability between periods and exclude amortisation of intangible assets on acquisition, and any goodwill impairments and exceptional items.

Directors

The directors of the Issuer are as follows:

Name	Position	Principal Outside Activities
Mike Biggs.....	Chairman	None
Adrian Sainsbury.....	Chief Executive	None
Mike Morgan.....	Group Finance Director	None
Mark Pain.....	Senior Independent Director	Chairman of AXA UK plc, Chairman of London Square Limited and Chairman of Empiric Student Property plc
Peter Duffy.....	Independent Non-Executive Director	Chief Executive Officer of Moneysupermarket.com Group plc
Sally Williams.....	Independent Non-Executive Director	Non-executive director of Lancashire Holdings Limited and of Family Assurance Friendly Society Limited (OneFamily)
Tracey Graham.....	Independent Non-Executive Director	Non-executive director of DiscoverIE Group plc, LINK Scheme Limited and Nationwide Building Society
Tesula Mohindra.....	Independent Non-Executive Director	Non-executive director on the board of National House-Building Council and the RAC group, and trustee of Variety, the Children's Charity
Patricia Halliday.....	Independent Non-Executive Director	None
Kari Hale.....	Independent Non-Executive Director	Non-executive director of AXA UK plc and senior advisor to the Financial Reporting Council

The business address of each of the directors of the Issuer is 10 Crown Place, London EC2A 4FT.

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

TAXATION

UK Taxation

The following applies only to persons who are the beneficial recipients of payments under the Securities and is a summary of the Issuer's understanding of current law and HM Revenue & Customs ("HMRC") published practice in the UK. It relates only to the UK withholding tax treatment of payments of interest in respect of Securities and is not intended to be exhaustive. It does not deal with any other UK taxation implications of acquiring, holding or disposing of Securities or the Ordinary Shares into which they may convert, and assumes that the Issuer is not substituted with another obligor. The UK tax treatment of prospective Securityholders depends on their individual circumstances and may be subject to change in the future, including retrospective change. Prospective Securityholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Securities

The references to "interest" in the comments below mean "interest" as understood in UK tax law. The comments below do not take any account of any different definitions of "interest" which may be created by the Terms and Conditions of the Securities or any relevant documentation.

The Securities 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 "**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 Act). Whilst the Securities are and continue to be quoted Eurobonds, payments of interest on the Securities may be made without withholding or deduction for or on account of UK income tax. The Securities 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 Securities 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.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 27 November 2023, agreed jointly and severally to subscribe or procure subscribers for the Securities at the issue price of 100 per cent. of their principal amount less a combined management and underwriting commission, subject to the provisions of the Subscription Agreement. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue and offering of the Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the net subscription price to the Issuer.

Selling Restrictions

United States

The Securities and the Ordinary Shares into which they may convert have not been, nor will they be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations promulgated thereunder.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons. Each Joint Lead Managers has further agreed that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to UK retail investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Circular in relation thereto 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:

- (A) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the EUWA; or
- (B) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other UK regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

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

Prohibition of sales to EEA retail investors

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

- (A) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (B) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Canada

Each Joint Lead Manager has represented and agreed that the Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the

Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1)(c) of the SFA - Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities

are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The offering of the Securities in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act of 15 June 2018, as amended (the “**FinSA**”) as the Securities have a minimum denomination of at least CHF 100,000 (or equivalent in another currency), and will not be admitted to trading on a trading venue (exchange or multilateral trading facility) in Switzerland. Accordingly, neither this Offering Circular nor any other offering or marketing material relating to the Securities (x) constitutes a prospectus as such term is understood pursuant to article 35 of the FinSA or (y) has been, or will be, filed with or approved by a review body pursuant to article 52 of the FinSA.

In accordance with article 59(1) of the FinSA and article 86(3) of the Swiss Financial Services Ordinance of 6 November 2019, as amended, no Basic Information Document (*Basisinformationsblatt*) is required for, and no Basic Information Document (or any equivalent document under the FinSA) has been or will be prepared for, the offering of the Securities.

General

Each Joint Lead Manager has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Securities or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee, the Agents nor any of the Joint Lead Managers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Agents or any of the Joint Lead Managers has represented that Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The issue of the Securities was duly authorised by resolutions of the Board passed on 7 September 2022 and resolutions of a committee of the Board passed on 16 November 2023.

Listing of Securities

Application will be made to the London Stock Exchange for the Securities to be admitted to trading on the ISM. It is expected that admission of the Securities to trading on the ISM will be granted on or about the Issue Date.

The Issuer estimates that the total expenses related to the admission to trading will be approximately £8,000.

Documents Available

For so long as any Security remains outstanding, the following documents will be available for inspection on the Issuer's website at <https://www.closebrothers.com/close-brothers-group>, save where an alternative location is stated below:

- (a) this Offering Circular together with the documents incorporated by reference herein and any supplements hereto;
- (b) the Trust Deed (which includes the form of the Global Certificate); and
- (c) the up-to-date articles of association of the Issuer (accessible at: <https://find-and-update.company-information.service.gov.uk/company/00520241/filing-history>).

Copies of this Offering Circular and any documents incorporated by reference in this Offering Circular will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at the following address: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Indication of Yield

Based upon an issue price of 100 per cent. of the principal amount of the Securities and the initial interest rate of 11.125 per cent. per annum, the indicative yield of the Securities for the period from (and including) the Issue Date to (but excluding) the First Reset Date, is 11.125 per cent. per annum (on a semi-annual basis), assuming (solely for this purpose) that there is no cancellation of any interest payment (in whole or in part) under the Securities. The indicative yield is calculated at the Issue Date and on the assumption specified above, and is not an indication of future yield.

Clearing Systems

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2541917105 and the Common Code is 254191710. The CFI and FISN for Securities will be set out on the website of the Association of National

Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN for the Securities (as applicable).

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

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 July 2023 and there has been no material adverse change in the prospects of the Issuer or the Group as a whole since 31 July 2023.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware, during the 12 months prior to the date of this Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's ability to meet its obligations to Securityholders.

Independent Auditors

PricewaterhouseCoopers LLP, a member of the Institute of Chartered Accountants in England and Wales and Registered Auditors, audited the Issuer's financial statements, without qualification, for each of the financial years ending 31 July 2023 and 31 July 2022.

The independent auditors of the Issuer have no material interest in the Issuer.

Conflicts of Interest

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Securities, Ordinary Shares, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments (which may include the Securities and the Ordinary Shares) of the Issuer or its affiliates.

Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk

management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities and/or the Ordinary Shares. Any such positions could adversely affect future trading prices of Securities and/or the Ordinary Shares. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

THE ISSUER

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United Kingdom

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United Kingdom

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London EC2M 2QS
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**PRINCIPAL PAYING AGENT, REGISTRAR, CONVERSION AGENT, AGENT BANK AND
TRANSFER AGENT**

Citibank N.A., London Branch
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United Kingdom

CONVERSION CALCULATION AGENT

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*To the Joint Lead Managers and the Trustee
as to English law*

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