

18 March 2013

## FINAL TERMS OF THE NOTES

### Nationwide Building Society

**€1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the "Notes")  
issued pursuant to its U.S.\$25,000,000,000 European Note Programme**

## PART A – CONTRACTUAL TERMS

Terms used but not defined in this Part A shall bear the respective meanings ascribed thereto in the Annex hereto. The form of terms and conditions contained in the base prospectus dated 2 October 2012 shall not apply to the Notes and instead the provisions of these Final Terms (including the Annex hereto) shall apply to the Notes.

### TYPE OF NOTE

- |    |                                |   |
|----|--------------------------------|---|
| 1. | Deposit/Ordinary/Subordinated: | Subordinated  |
| 2. | Interest Basis:                | Fixed Rate Reset Notes – see Condition 4 of the Annex |

### DESCRIPTION OF THE NOTES

- |    |   |  |
|----|---|--|
| 3. | New Global Note:  | No   |
| 4. | Form of Notes:  | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event  |
| 5. | (a) Series Number:  | 442  |
|    | (b) Tranche Number:   | 1  |
|    | (c) Date on which the Notes will be consolidated and form a single Series:      | Not Applicable   |
| 6. | (a) Nominal Amount of Notes to be issued:                                       | €1,250,000,000   |
|    | (b) Aggregate nominal amount of Series (if more than one issue for the Series): | Not Applicable   |
|    | (c) Specified Currency:   | euro ("€")   |
|    | (d) Specified Denomination(s):  | €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (in the case of definitive Notes each with Coupons attached on issue). No definitive Notes will be issued with a denomination above €199,000. |
|    | (e) Calculation Amount:   | €1,000   |

- 7. Issue Price: 99.566 per cent.
- 8. Issue Date: 20 March 2013
- 9. Interest Commencement Date: Issue Date
- 10. Automatic/optional conversion from one Interest Basis to another: Not Applicable
- 11. Additional Financial Centre(s): Not Applicable

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

**Fixed Rate Note Provisions** Applicable – see Condition 4 of the Annex

**Zero Coupon Note Provisions** Not Applicable

**Floating Rate Note Provisions** Not Applicable

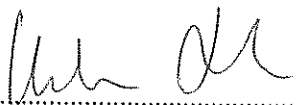
**PROVISIONS REGARDING REDEMPTION/MATURITY**

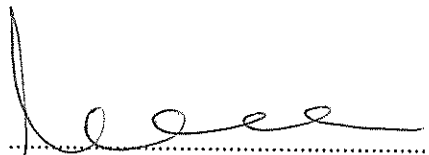
- 12. Maturity Date: 20 March 2023
- 13. Redemption at Issuer's option: Applicable – see Conditions 5(c), (d) and (e) of the Annex
- 14. Redemption at Noteholder's option: Not Applicable
- 15. Final Redemption Amount: Par – see Condition 5(a) of the Annex
- 16. Redemption Amount payable on redemption for taxation reasons or on an Event of Default: Par - see Conditions 5(d) and 7 of the Annex

**GENERAL PROVISIONS APPLICABLE TO THIS ISSUE OF NOTES**

- 17. U.S. Selling Restrictions: Reg S Compliance Category 2; TEFRA D

Signed on behalf of **NATIONWIDE BUILDING SOCIETY**

By:   
 .....  
*Duly Authorised*

By:   
 .....  
*Duly Authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: Application has been made by or on behalf of the Issuer for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the regulated market of the London Stock Exchange with effect from the Issue Date.
- (b) Estimated of total expenses related to admission to trading: £2,975

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:
- |          |      |
|----------|------|
| S&P:     | BBB+ |
| Moody's: | Baa1 |
| Fitch:   | A    |

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

See the section of the Drawdown Prospectus entitled "Subscription and Sale".

### 4. YIELD

- Indication of yield: 4.223 per cent. for the period from (and including) the Issue Date to (but excluding) the Optional Call Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (a) ISIN Code: XS0906394043
- (b) Common Code: 090639404
- (c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Not Applicable
- (d) Names and addresses of initial Paying Agent(s) (if any): See the second paragraph of the preamble of the Annex
- (e) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

## ANNEX – TERMS AND CONDITIONS OF THE NOTES

*The following (excluding italicised paragraphs) is the text of the Conditions that, together with and subject to completion by the provisions of Part A of the Final Terms of the Notes, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Permanent Global Note. Terms used but not defined in this Annex shall bear the meaning ascribed thereto in Part A of the Final Terms of the Notes. The full text of these terms and conditions, together with the provisions of Part A of the Final Terms of the Notes, shall be endorsed on such definitive Notes. For the avoidance of doubt, the form of terms and conditions contained in the base prospectus dated 2 October 2012 is not applicable to the Notes.*

This Note is one of a series of €1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the notes of such series being hereinafter called the "**Notes**", which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 14 and forming a single series with the Notes) constituted by a Trust Deed dated 17 April 1991 (such Trust Deed as modified and/or supplemented and/or restated as at the Issue Date, the "**Trust Deed**") made between Nationwide Building Society (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee).

The Notes are issued with the benefit of an Amended and Restated Agency Agreement dated 2 October 2012 (such Agency Agreement as amended and/or supplemented and/or restated as at the Issue Date, the "**Agency Agreement**") made between the Issuer, Citibank, N.A., London Office, as issuing agent, principal paying agent and agent bank (the "**Agent**", which expression shall include any successor as agent), the other paying agents named therein (together with the Agent, the Paying Agents, which expression shall include any additional or successor paying agents) and the Trustee.

Definitive Notes will have interest coupons ("**Coupons**") attached on issue.

The Trustee acts for the benefit of the holders of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**"), all in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the Issue Date at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Agent and the other Paying Agents. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms, which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in these Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and these Final Terms, these Final Terms will prevail.

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

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

The Notes are serially numbered and in bearer form in specified denominations ("**Specified Denominations**") of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (in the case of definitive Notes each with Coupons attached on issue). No definitive Notes will be issued with a denomination above €199,000.

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

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

## **2. Status**

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders are subordinated as described in Condition 3(a).

*Regard should be had to statutory loss absorption as more fully described in the risk factors entitled "The Notes may become subject to provisions requiring capital instruments to be written-down or converted to common equity tier 1 capital instruments at the point of non-viability of the Issuer under proposals intended to implement capital requirements forming part of the Basel III framework", "Risks associated with governmental authorities and monetary policies of the UK and changes thereto may adversely affect the Issuer's business" and "The Issuer is subject to capital requirements that could have an impact on its operations" in the Drawdown Prospectus relating to the Notes.*

## **3. Subordination**

### **(a) Winding-up**

The Notes and Coupons are direct and unsecured obligations of the Issuer and rank without any preference among themselves, and the claims of the holders of the Notes (and Coupons) in respect of principal and interest will, in the event of the winding up of the Issuer, rank (i) subordinated in the manner provided in the Trust Deed to the claims of depositors, investment creditors and other unsubordinated creditors of the Issuer in respect of their respective senior claims, (ii) *pari passu* among themselves and with claims in respect of Parity Obligations and (iii) senior to the claims of holders of Junior Obligations.

### **(b) Set-off**

Subject to applicable law, no holder of Notes or Coupons may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or any relative Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any such Note or Coupon (as the case may be) be deemed to have

waived all such rights of set-off, compensation or retention. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any Noteholder or Couponholder against the Issuer is discharged by set-off, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of winding up of the Issuer, to the liquidator of the Issuer and accordingly such discharge will be deemed not to have taken place.

#### **4. Interest Payments**

##### **(a) *Rate of Interest***

The Notes bear interest on their nominal amount at the applicable Rate of Interest from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date, in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Where it is necessary to calculate an amount of interest in respect of any Note for a period which is more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

##### **(b) *Interest Accrual***

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 5(a), (c), (d) or (e), as the case may be, unless, upon due presentation, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated in respect of any period by applying the applicable Rate of Interest to:

- (i) in the case of Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Notes in definitive form, the Calculation Amount,

and, in either case, multiplying the resulting figure by the day-count fraction as described in Condition 4(a) for the relevant period and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

Where the denomination of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the relevant denomination, without any further rounding.

(c) ***First Fixed Rate of Interest***

For each Interest Period which commences prior to the Optional Call Date, the Rate of Interest shall be 4.125 per cent. per annum.

(d) ***Subsequent Fixed Rate of Interest***

For each Interest Period which commences on or after the Optional Call Date, the Notes bear interest at the Subsequent Fixed Rate of Interest. The Subsequent Fixed Rate of Interest shall be determined by the Agent as the 5 year Swap Rate plus 3.300 per cent., where:

**"5 year Swap Rate"** means the annual mid-swap rate as displayed on Reuters screen "ISDAFIX2" as at 11:00 a.m. (Central European time) (the **"Reset Screen Page"**) on the Interest Determination Date. In the event that the 5 year Swap Rate does not appear on the Reset Screen Page on the Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate.

**"Reset Reference Bank Rate"** means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **"Reset Reference Banks"**) to the Agent at approximately 11:00 a.m. (Central European time) on the Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); and

**"5 year Swap Rate Quotations"** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

If the 5 year Swap Rate does not appear on the Reset Screen Page on the Interest Determination Date and less than three 5 year Swap Rate Quotations are provided by the Reset Reference Banks, the Subsequent Fixed Rate of Interest will be 4.125 per cent. per annum.

(e) ***Determination of Subsequent Fixed Rate of Interest***

The Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on the Interest Determination Date, determine the Subsequent Fixed Rate of Interest and shall promptly notify the Issuer thereof.

(f) ***Publication of Subsequent Fixed Rate of Interest***

The Issuer shall cause notice of the Subsequent Fixed Rate of Interest and the amount of interest which will be payable per Calculation Amount on each Interest Payment Date in respect of which the Subsequent Fixed Rate of Interest applies (the **"Interest Amount"**) to be given to the Noteholders in accordance with Condition 13 as soon as reasonably practicable after the Interest Determination Date and in any event no later than the fourth Business Day thereafter. Such determination of the Subsequent Fixed Rate of Interest shall (in the absence of manifest error) be binding on the Trustee and the Noteholders.

(g) ***Determination or Calculation by Trustee***

If the Agent does not for any reason so determine the Subsequent Fixed Rate of Interest or calculate the Interest Amount, the Trustee (or an expert appointed by the Trustee at the expense of the Issuer) shall do so and such determination or calculation shall be deemed to have been made by the Agent. In doing so, the Trustee (or the expert) shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) ***Determinations of Agent or Trustee binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, whether by the Agent or the Trustee (or the expert appointed by it), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders, the Couponholders or the Issuer shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

**5. Redemption and Purchase**

(a) ***Maturity***

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their principal amount together with any accrued but unpaid interest up to (but excluding) the Maturity Date.

(b) ***Conditions to Early Redemption and Purchase***

Any redemption or purchase of the Notes in accordance with Conditions 5(c), (d), (e) or (f) is subject to the Issuer giving at least one month's prior written notice to, and receiving no objection from or, in the case of any redemption of the Notes prior to the Optional Call Date, receiving the consent or, as applicable, waiver of, the Supervisory Authority (or such other period of notice as the Supervisory Authority may from time to time require or accept and, in any event, provided that any such notice is required to be given).

Any redemption or purchase of the Notes in accordance with Conditions 5(c), (d), (e) or (f) is also subject to:

- (i) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that it is and, immediately following the redemption or purchase, shall be in compliance with the Minimum Capital Requirements or it has satisfied such other redemption requirements as may be required by applicable Regulations from time to time;
- (ii) only in the case of a redemption occurring in respect of a Tax Event or a Regulatory Event, the circumstances giving rise to the redemption being such that the Supervisory Authority is satisfied that the circumstances were not reasonably foreseeable at the Issue Date and, in the case of a Tax Event only, the relevant changes in the tax treatment are also material; and
- (iii) only in the case of a redemption occurring in respect of a Tax Event, the Issuer having made available to the Noteholders and the Trustee a copy of an opinion of an independent nationally recognised law firm or other tax adviser in the United Kingdom experienced in such matters that a Tax Event has occurred and is continuing.



Prior to the publication of any notice of early redemption pursuant to this Condition 5 (other than redemption pursuant to Condition 5(c)), the Issuer shall deliver to the Trustee a certificate signed by any two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied. The Trustee shall be entitled, without liability to any person, to accept such certificate (together with any accompanying opinion as referred to in Condition 5(b)(iii)) without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

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

Subject to Condition 5(b), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable) elect to redeem all, but not some only, of the Notes on the Optional Call Date at their principal amount together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(d) ***Redemption due to Taxation***

If, immediately prior to the giving of the notice referred to below, a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(e) ***Redemption for Regulatory Purposes***

If a Regulatory Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(f) ***Purchases***

The Issuer and any of its Subsidiaries may, subject to Condition 5(b), at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons appertaining thereto. All Notes so 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, surrendered for cancellation (together with all unmatured Coupons) to the Agent.

(g) ***Cancellation***

All Notes redeemed by the Issuer pursuant to this Condition 5 (together with all unmatured Coupons relating thereto) and all Notes purchased pursuant to Condition 5(f) and surrendered for cancellation, shall be cancelled forthwith (together with all unmatured Coupons). Any Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

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

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice in writing of the occurrence of any event or circumstance within this Condition 5, it shall be entitled to assume that no such event or circumstance exists.

## **6. Payments**

### **(a) *Method of Payment***

- (i) Payments of principal and interest will be made in euro against presentation and surrender of definitive Notes or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Notes. Such payments will be made, at the option of the payee, by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET 2 System.

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note, at the specified office of any Paying Agent. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of the relevant Global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant Global Note (or the Trustee, as the case may be). No person other than the holder of the relevant Global Note (or, as provided in the Trust Deed, the Trustee) shall have any claim against the Issuer in respect of any payments due on that Global Note.

- (ii) Upon the due date for redemption of any Notes, any unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect of them. If any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

### **(b) *Payments Subject to Fiscal and Other Laws***

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8, in the place of payment, 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the

implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) ***Payments on business days***

A Note or Coupon may only be presented for payment on a day which is (i) a business day in the place of presentation and (ii) in the case of a payment by transfer to a euro account, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city.

**7. Default and Enforcement**

*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. The restrictions on commencing proceedings described below will not apply to any such claim.*

(a) ***Proceedings for Winding-up***

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the nominal amount of Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, subject to being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their nominal amount together with any accrued but unpaid interest:

- (i) if default is made for a period of 14 days or more in the payment of any interest due on the Notes or any of them; or
- (ii) if, otherwise than by virtue of Section 93(5), Section 94(10), Section 97(9) or Section 97(10) of the Act, the Issuer is dissolved by consent of its members, a special resolution of the members is passed that the Issuer be wound up voluntarily or a petition that the Issuer be wound up by the Court is granted,

(each an "**Event of Default**"). If the Notes become due and repayable (whether pursuant to Condition 5, this Condition 7 or otherwise), the Trustee may at its discretion institute proceedings for the winding up of the Issuer in England (but not elsewhere) to enforce the obligations of the Issuer in respect of the Notes and the Trust Deed in so far as it relates to the Notes and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no other action to enforce payment of any amount of principal or interest or any other amounts (including any damages awarded for breach of these Conditions) in respect of the Notes, and accordingly the Issuer shall not be obliged to pay any such amounts before such time as the same would otherwise have become due for payment, nor will the Trustee accept the same, otherwise than during or after a winding up or dissolution of the Issuer.

(b) ***Enforcement***

Without prejudice to Condition 7(a), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including, without limitation, payment of any principal or interest, and any damages awarded for breach of any obligations, and 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. Nothing in this Condition 7(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer.

(c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 7(a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.

(d) ***Right of Noteholders***

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 7.

(e) ***Extent of Noteholders' remedy***

No remedy against the Issuer, other than as referred to in this Condition 7, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, Coupons or under the Trust Deed.

## **8. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by (or on behalf of) the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, or levied by the United Kingdom or any political subdivision thereof or by any authority thereof or therein having power to tax, unless the withholding or deduction for, or on account of, such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders or, as the case may be, Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest (if any) which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction; except that no such additional amount shall be payable in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day; or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

References in these Conditions to principal, interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **9. Prescription**

Claims for payment of principal in respect of the Notes shall become void upon the expiry of ten years, and claims for payment of interest (if any) in respect of the Notes shall become void upon the expiry of five years, in each case from the Relevant Date therefor, subject to the provisions of Condition 6.

## **10. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of Noteholders (or, as the case may be, the holders of Notes of more than one Series) to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed.

The quorum at any such meeting to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes for the time being outstanding so held or represented, except that at any meeting, the business of which includes the modification of certain of these Conditions or provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the nominal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver or authorisation shall be binding on the Noteholders and Couponholders and, unless otherwise agreed by the Trustee, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders 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.

#### **11. Replacement of the Notes and Coupons**

If a Note or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Agent in London, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **12. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any Subsidiary of the Issuer without accounting for any profit resulting therefrom.

#### **13. Notices**

All notices regarding the Notes will be valid if published in the Financial Times or any other daily newspaper in London approved by the Trustee. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Notes have then been admitted to listing, trading, and/or quotation. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication in all the required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to

have been given to the Noteholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes ranking equally in all respects (or in all respects save for the date for and the amount of the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes.

#### **15. Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out in the Trust Deed. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Subsequent Rate of Interest or to calculate the Interest Amount, the Issuer shall appoint the London office of such other bank as may be approved by the Trustee to act as such in its place. The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer may, with the prior approval of the Trustee, vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts provided that the Issuer will, so long as any of the Notes is outstanding, maintain (a) a Paying Agent (which may be the Agent) having a specified office in a city approved by the Trustee in continental Europe, (b) so long as any of the Notes have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system, and (c) to the extent reasonably practicable, a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 13.

#### **16. Substitution**

- (a) The Issuer has covenanted with the Trustee in the Trust Deed that if it transfers its business to a company (the "**Transferee Company**") within the meaning of the Companies Act 1985 pursuant to Section 97 of the Act then, upon such transfer becoming effective:
- (i) it will either deliver evidence reasonably satisfactory to the Trustee that the Transferee Company is an authorised person for the purposes of the FSMA (or any statutory modification or re-enactment thereof) or, if such evidence is not so delivered, procure that such transfer is approved by an Extraordinary Resolution of the Noteholders; and
  - (ii) it will, and will procure that the Transferee Company will, execute a deed supplemental to the Trust Deed which has the effect of ensuring to the reasonable satisfaction of the Trustee that (i) the Transferee Company is bound by the terms of the Trust Deed in respect of the

Notes and these Terms and Conditions as fully as if all and any references therein to the Issuer were references to the Transferee Company and (ii) the rights of the holders of the Notes and any relative Coupons (A) are subordinated and postponed to the claims of the persons who are holders of investment shares which are qualifying shares (as defined in Section 100(3) of the Act) in the Issuer in respect of claims arising by virtue of Section 100(2)(a) of the Act and which are represented by those qualifying shares and to the claims of other unsecured but unsubordinated creditors of the Transferee Company but (B) will be such that they rank at least *pari passu* with the holders of the obligations of the Transferee Company issued in respect of Parity Obligations and (C) will be such that they rank in priority to the holders of the issued share capital and Tier 1 Capital of the Transferee Company, and containing such other provisions as the Trustee (having regard in particular to the foregoing) may reasonably require; provided that no variation or supplement to the terms of the Trust Deed or of these Terms and Conditions shall be made in any such supplemental deed which would or might cause any of the own funds or capital resources of the Issuer which at that time are considered appropriate by the Supervisory Authority for inclusion in the calculation of the Issuer's capital adequacy for the purposes of paragraph 4(1) of Schedule 6 to the FSMA and to which such terms relate, to be excluded from the own funds or capital resources which at that time are considered appropriate by the Financial Services Authority for inclusion in the calculation of the Transferee Company's capital adequacy for the purposes of paragraph 4(1) of Schedule 6 to the FSMA.

- (b) The Issuer has covenanted with the Trustee in the Trust Deed that it will not enter into any arrangement for the transfer of its engagements to another building society pursuant to Section 94 of the Act unless it transfers all its engagements to such society or such transfer has been approved by the Trustee or by an Extraordinary Resolution of the Noteholders.
- (c) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Act or transfer all of its engagements to another building society pursuant to Section 94 of the Act or transfer the whole of its business to a successor in accordance with Section 97 of the Act, the successor will, pursuant to such provisions, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and any Coupons without any prior approval thereof being required from the Noteholders, the Couponholders or the Trustee (but without prejudice to the provisions of Conditions 16(a) above).
- (d) Any substitution pursuant to this Condition 16 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

*Prospective Noteholders are referred to the section headed "CONSEQUENCES OF THE BUILDING SOCIETIES ACT FOR NOTEHOLDERS" on page 63 of the Base Prospectus for a description of the ranking of the claims of Noteholders following a transfer in accordance with Section 97 of the Act.*

## **17. Governing Law**

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

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

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



## 19. Definitions

In these Conditions:

"**Act**" means the Building Societies Act 1986;

"**Additional Amounts**" has the meaning given to it in Condition 8;

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

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

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which (i) commercial banks and foreign exchange markets are open for general business in London and (ii) the TARGET 2 System is open;

"**Calculation Amount**" means €1,000 in nominal amount;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Code**" has the meaning ascribed to it in Condition 6(b);

"**Companies Act**" means the Companies Act 2006 (as amended or re-enacted from time to time);

"**Conditions**" means these terms and conditions of the Notes (including Part A of the Final Terms), as amended from time to time;

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

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

"**euro**" and "**€**" means 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 European Union, as amended;

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

"**FSMA**" means the Financial Services and Markets Act 2000;

"**Interest Determination Date**" means the day falling two Business Days prior to the Optional Call Date;

"**Interest Payment Date**" means 20 March in each year, starting on (and including) 20 March 2014;

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

"**Issue Date**" means 20 March 2013, being the date of the initial issue of the Notes;

"**Issuer**" means Nationwide Building Society;

"**Junior Obligations**" means the claims of holders of any deferred shares (including permanent interest bearing shares and any deferred share (core capital) investments) and any other claims ranking, or expressed to rank, junior to the Notes or to any Parity Obligations;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Minimum Capital Requirements**" means the Supervisory Authority's main Pillar 1 rules applicable to the Issuer and other BIPRU firms (within the meaning of the Supervisory Authority's General Prudential sourcebook) or any equivalent successor requirements;

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

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

"**Optional Call Date**" means 20 March 2018;

"**Parity Obligations**" means obligations which rank, or are expressed to rank, *pari passu* with the Notes (including (without limitation) claims in respect of the payment obligations of the Issuer in relation to other dated subordinated notes);

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

"**Payment Day**" means a day on which (A) commercial banks settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) in the case of Notes in definitive form only, the relevant place of presentation and (ii) London and (B) the TARGET2 System is open;

"**Rate of Interest**" means, in respect of each Interest Period commencing prior to the Optional Call Date, 4.125 per cent. per annum and thereafter means the Subsequent Fixed Rate of Interest;

"**Regulations**" means (i) the capital adequacy requirements of the Supervisory Authority, or (ii) any other law, regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union in relation to capital adequacy requirements;

A "**Regulatory Event**" is deemed to have occurred if the Issuer has determined that, as a result only of any amendment to, or change in, or change in the official interpretation of, any Regulations after the Issue Date, the whole of the aggregate nominal amount of the Notes outstanding is fully excluded from Tier 2 Capital of the Issuer (other than by way of any applicable limits);

"**Relevant Date**" means the date on which the relevant payment in respect of the Note or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Agent or the Trustee on or prior to such due date, means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 13;

"**Subsequent Fixed Rate of Interest**" has the meaning ascribed thereto in Condition 4(d);

"**Subsidiary**" means each subsidiary as defined in Section 1159 of the Companies Act for the time being of the Issuer;

"**Supervisory Authority**" means the Financial Services Authority (or any successor body performing for the time being the same or similar functions in relation to the prudential regulation of the Issuer);

"**TARGET 2 System**" has the meaning ascribed thereto in Condition 6(c);

"**Tax Event**" means (i) (a) the Issuer has or will become obliged to pay Additional Amounts as a result of any Tax Law Change; and (b) such obligation cannot be avoided by the Issuer taking

reasonable measures available to it; or (ii) as a result of a Tax Law Change, there is a substantial risk that the Issuer would not obtain relief in full or substantially in full for the purposes of United Kingdom corporation tax for interest payments assuming the Issuer had profits against which such relief could be used, and provided that the Issuer would not have been able to obtain such relief by taking reasonable measures available to it.;

**"Tax Law Change"** means any change or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including, without limitation, any decision of a competent court or any pronouncement of a tax authority in the United Kingdom), which change or amendment becomes effective on or after the Issue Date;

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

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

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

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

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