LISTING PARTICULARS DATED 8 JULY 2020

Shawbrook Group plc

(incorporated under the laws of England and Wales with company number 07240248)

£75,000,000 9 per cent. Fixed Rate Reset Callable Subordinated Notes due 2030

Issue price: 100 per cent.

The £75,000,000 9 per cent. Fixed Rate Reset Callable Subordinated Notes due 2030 (the "**Notes**") will be issued by Shawbrook Group plc (the "**Issuer**") on or about 10 July 2020 (the "**Issue Date**"). The terms and conditions of the Notes are set out herein in "*Terms and Conditions of the* Notes" (the "**Conditions**", and references to a numbered "**Condition**" shall be construed accordingly). The Notes will bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) 10 October 2025 (the "**Reset Date**") at a rate of 9 per cent. per annum and thereafter at the Reset Rate of Interest as provided in Condition 5. Interest will be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments, with a short first Interest Period from (and including) the Issue Date to (but excluding) the first Interest Payment Date falling on 10 October 2020.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 10 October 2030. Noteholders will have no right to require the Issuer to redeem or purchase the Notes at any time prior to maturity. The Issuer may, in its discretion but subject to the conditions described in Condition 6.2, elect to redeem all, but not some only, of the Notes (i) on any day falling in the period commencing on (and including) 10 July 2025 and ending on (and including) the Reset Date, or (ii) at any time if a Tax Event or a Capital Disqualification Event (each as defined in Condition 19) has occurred and is continuing, in each case at their principal amount together with any unpaid interest accrued to (but excluding) the date fixed for redemption. The Issuer may also, subject to certain conditions, at any time elect to substitute all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities (as defined herein) if a Tax Event or Capital Disqualification Event has occurred and is continuing.

The Notes will be direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the winding-up of the Issuer, be subordinated to the claims of all Senior Creditors (as defined in Condition 19) of the Issuer but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer.

This document has been filed with the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") as Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the official list (the "**Official List**") and to trading on the Global Exchange Market of Euronext Dublin ("**GEM**"). References in these Listing Particulars to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on GEM. GEM is the exchange regulated market of Euronext Dublin and is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) ("**MiFID II**").

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

The Notes will not be assigned a credit rating.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*". The Notes will not be rated on issue.

Joint Lead Managers

ABN AMRO **Deutsche Bank**

These Listing Particulars may be used only for the purposes for which they have been published.

This document constitutes the Listing Particulars in respect of the admission of the Notes to the Official List and to trading on GEM and for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars are to be read in conjunction with all documents which are incorporated by reference herein (see "*Documents Incorporated by Reference*").

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other information supplied in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of these Listing Particulars nor any sale made in connection herewith 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 there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Joint Lead Managers (as defined in "*Subscription and Sale*") and the Trustee have not separately verified the information contained in these Listing Particulars. Neither the Joint Lead Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained (or incorporated by reference) in these Listing Particulars or any other information provided by the Issuer in connection with the offering of the Notes. Neither the Joint Lead Managers nor the Trustee accepts any liability in relation to the information contained in these Listing Particulars or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation or advice by any of the Issuer, the Joint Lead Managers or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each potential purchaser should make its own independent investigation of the financial condition and affairs and its own approval of the credit worthiness of the Issuer. Each potential purchaser of Notes should determine for itself the relevance of information contained in these Listing Particulars and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Joint Lead Managers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by these Listing Particulars nor to advise any investor or potential investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

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

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe or purchase any of the Notes. The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. The Issuer does not represent that these Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and it does not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers or any other person which is intended to permit a public offering of the Notes or the distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material relating to the Notes may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of these Listing Particulars and the sale of the Notes in the United States, the UK, the European Economic Area (the "**EEA**"), Italy, Switzerland and Singapore. For a description of certain further restrictions on offers and sales of the Notes and distribution of these Listing Particulars, see "*Subscription and Sale*".

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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The historical financial information incorporated by reference in these Listing Particulars has been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and as adopted by the European Union.

The Issuer presents certain key performance measures that are not defined under IFRS but that it finds useful in analysing its results and that it believes are widely used by investors to monitor the results of banks generally. These measures include net interest margin, Common Equity Tier 1 capital ratio and total capital ratio. Some of these measures are defined by, and calculated in compliance with, applicable banking regulations, but these regulations often provide the Issuer with certain discretion in making its calculations.

Because of the discretion that the Issuer and other banking groups have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other banks. These measures should not be used as a substitute for evaluating the performance of the Issuer based on its audited balance sheet and results of operations.

Unless otherwise indicated, all references in these Listing Particulars to "**sterling**", "**pounds sterling**", "**GBP**", "**£**" or "**pence**" are to the lawful currency of the UK. The Issuer prepares its financial statements in pounds sterling. References to "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

On 31 January 2020, the UK ceased to be a member of the EU and the EEA. By virtue of Part 4 of the Withdrawal Agreement between the EU and the UK under Article 50(2) of the Treaty of the European Union (the "**Withdrawal Agreement**") and the European Union (Withdrawal) Act 2018 as amended by the European Union (Withdrawal Agreement) Act 2020 (as so amended, the "**EUWA**"), EU law and EU-derived domestic legislation will continue to apply to and in the UK during a Brexit Transition Period lasting until 31 December 2020 (the "**Brexit Transition Period**"). During the Brexit Transition Period the UK will continue to be treated as an EU Member State under EU law unless otherwise specified. References in these Listing Particulars to the EU and the EEA and to law and regulation applicable in the EU or the EEA shall be construed accordingly.

Percentages and certain amounts in these Listing Particulars, including financial, statistical and operating information, have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

MiFID II 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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to

MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA or UK retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom (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 (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, 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 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA or the UK who receives any communication in respect of, or who acquires any Notes in connection with these Listing Particulars, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Joint Lead Manager and the Issuer that it and any person on whose behalf it acquires Notes is not a "retail investor" as defined above.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH AS STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES 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 NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

FORWARD-LOOKING STATEMENTS

Certain information contained in these Listing Particulars, including any information as to the Issuer's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. 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 these Listing Particulars speak only as at the date of these Listing Particulars, 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 business, results of operations, strategy, liquidity, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in these Listing Particulars that could cause actual results to differ before making an investment decision. All of the forward- looking statements made in these Listing Particulars are qualified by these cautionary statements. Specific reference is made to the information set out in "*Risk Factors*" and "*Description of the Group's Business*".

Subject to applicable law or regulation, the Issuer explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in these Listing Particulars that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of these Listing Particulars.

DOCUMENTS INCORPORATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the following documents:

(a) the audited consolidated annual financial statements (including the notes thereto and the audit report in respect thereof) of the Issuer for the year ended 31 December 2018;

(b) the audited consolidated annual financial statements (including the notes thereto and the audit report in respect thereof) of the Issuer for the year ended 31 December 2019;

(c) the sections on creditworthiness risk, liquidity risk and market risk in the risk management report of the Issuer for the year ended 31 December 2019, which are on pages 101 to 133 (inclusive) of the 2019 annual report of the Issuer; and

(d) the Issuer's Pillar 3 Disclosures for the year ended 31 December 2019,

each of which have been previously published or are published simultaneously with these Listing Particulars and which have been filed with Euronext Dublin. Such documents shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars. Any documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars.

Other than such documents, none of the contents of the Issuer's website, any websites referred to in these Listing Particulars nor any website directly or indirectly linked to these websites form part of these Listing Particulars.

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

Copies of the documents incorporated by reference in these Listing Particulars can be obtained (without charge) from the "Investor Centre" area of the Issuer's website (as at the date of these Listing Particulars at https://www.shawbrook.co.uk/investors/).

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview provides an overview of certain of the principal features of the Notes and is qualified by the more detailed information contained elsewhere in these Listing Particulars. Capitalised terms which are defined in "Terms and Conditions of the Notes" have the same respective meanings when used in this overview.

Issuer	Shawbrook Group plc Legal Entity Identifier ("**LEI**"): 21380071539WSMTM4410
Trustee	Deutsche Trustee Company Limited
Principal Paying Agent and Agent Bank	Deutsche Bank AG, London Branch
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Joint Lead Managers	ABN AMRO Bank N.V. Deutsche Bank AG, London Branch
Notes	£75,000,000 9 per cent. Fixed Rate Reset Callable Subordinated Notes due 2030.
Risk factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out under "*Risk Factors*".
Status of the Notes	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu*, without any preference, among themselves.
No Set-off	Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes and each holder shall, by virtue of his holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention.
Rights on a Winding-Up	The rights and claims of Noteholders in the event of a Winding-Up of the Issuer are described in Conditions 3, 4 and 8.

Interest	The Notes will bear interest on their principal amount: (a) from (and including) the Issue Date to (but excluding) the Reset Date, at the rate of 9 per cent. per annum; and (b) thereafter, at the Reset Rate of Interest (as described in Condition 5.4), in each case payable, semi-annually in arrear in equal instalments on 10 April and 10 October in each year (each, an "**Interest Payment Date**"), commencing 10 October 2020 (with a short first Interest Period).
Maturity	Unless previously redeemed or purchased and cancelled or, pursuant to Condition 6.6, substituted, the Notes will mature on 10 October 2030. The Notes may only be redeemed or repurchased by the Issuer in the circumstances described below (as more fully described in Condition 6).
Optional redemption	The Issuer may, in its sole discretion but subject to the conditions set out under "*Conditions to redemption*" below, elect to redeem all, but not some only, of the Notes on any day falling in the period commencing on (and including) 10 July 2025 and ending on (and including) the Reset Date at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption.
Redemption following a Capital Disqualification Event or a Tax Event	The Issuer may, in its sole discretion but subject to the conditions set out under "*Conditions to redemption*" below, elect to redeem in accordance with the Conditions at any time all, but not some only, of the Notes following the occurrence of a Capital Disqualification Event or a Tax Event, in each case which has occurred and is continuing, and in each case, at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption.
Substitution and Variation following a Capital Disqualification Event or a Tax Event	The Issuer may, subject to certain conditions and upon notice to Noteholders, at any time elect to substitute all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities if, immediately prior to the giving of the relevant notice to Noteholders, a Tax Event

or Capital Disqualification Event has occurred and is continuing.

Purchase of the Notes

The Issuer may, at its option but subject to the conditions set out under "*Conditions to redemption*" below, purchase (or otherwise acquire) any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements. All Notes purchased by or on behalf of the Issuer may be held, reissued, resold or, at the option of the Issuer, cancelled.

Conditions to redemption, etc.

Any redemption, call, repayment or purchase of the Notes or substitution or variation of the terms of the Notes will be subject to:

(a) the Issuer obtaining Supervisory Permission therefor;

(b) in the case of any redemption, call, repayment or purchase at any time, if and to the extent then required under prevailing Regulatory Capital Rules, the Issuer having demonstrated to the satisfaction of the Competent Authority that either: (A) the Issuer has (or before or at the same time as the relevant redemption or repurchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the own funds and eligible liabilities of the Issuer would, following such redemption, call, repayment or purchase, exceed its minimum requirements (including any applicable buffer requirements) by a margin that the Competent Authority considers necessary at such time; and

(c) in the case of any redemption, call, repayment or purchase prior to the fifth anniversary of the Reference Date, if and to the extent then required under prevailing Regulatory Capital Rules:

   (A) in the case of redemption upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue

Date (and, if any Further Notes are issued, as at the issue date of such Further Notes);

(B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date (and, if any Further Notes are issued, as at the issue date of such Further Notes);

(C) in the case of a purchase, the Issuer having demonstrated to the satisfaction of the Competent Authority that the Issuer has (or before or at the same time as such purchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent 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

(D) the Notes being purchased for market-making purposes in accordance with the prevailing Regulatory Capital Rules.

Notwithstanding the above, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Withholding tax and additional amounts

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer will (subject to certain customary exceptions) pay such additional amounts in respect of interest (but not in respect of any payments of principal or other amounts) as will result in receipt by the Noteholders of such amounts as would have been receivable in respect of the Notes in the absence of such withholding or deduction.

In no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to Sections 1471 through 1474 of the US Internal Revenue Code of 1986 and any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.

Enforcement

If the Issuer has not made payment of any amount in respect of the Notes for a period of seven days or more (in the case of principal) or 14 days or more (in the case of interest or any other amount) after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Notes and, unless proceedings for a Winding-Up have already commenced, the Trustee may, or (subject to Condition 8.3) if 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 shall, institute proceedings for a winding-up of the Issuer. The Trustee may prove and/or claim in any Winding-Up of the Issuer (whether or not instituted by the Trustee) and shall have such claim in respect of the Notes as is set out in Condition 4.1.

The Trustee may, at its discretion and without notice, institute such other 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 under the Trust Deed (other than any payment obligation, including any damages) provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to the Conditions or the Trust Deed. No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for a winding-up unless the Trustee, having become bound so to do, fails to do so within 60 days or is unable to do so and such failure or inability shall be continuing, in which case the Noteholders shall have

	only such rights against the Issuer as those which the Trustee is entitled to exercise as set out herein. See Condition 8 for further information.
Modification	The Trust Deed will contain provisions for convening meetings of Noteholders to consider and resolve upon any matter affecting their interests, and for resolutions to be passed by the Noteholders in writing or by way of electronic consents. Pursuant to such provisions, defined majorities of the Noteholders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Noteholders (including Noteholders who did not vote on such resolution or who voted in a manner contrary to the majority).
Substitution of the Issuer	The Trustee may, without the consent of the Noteholders but subject to Supervisory Permission, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute of the Issuer) as the principal debtor under the Notes and the Trust Deed of certain other entities subject to the Trustee being satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders and certain other conditions set out in the Trust Deed being complied with.
Form	The Notes will be issued in registered form. The Notes will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depositary for the Clearing Systems.
Denomination	£100,000 and integral multiples of £1,000 in excess thereof.
Clearing systems	Euroclear and Clearstream, Luxembourg.
Rating	The Notes will not be rated.
Listing	Application has been made to Euronext Dublin for the notes to be admitted to the Official List and to trading on GEM.
Governing law	The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Notes

	or the Trust Deed, will be governed by, and construed in accordance with, English law.
ISIN	XS2199260576
Common Code	219926057
CFI/FISN:	See the website of the Association of National Numbering Agencies ("**ANNA**") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
Selling Restrictions	There are certain restrictions on the offer, sale and delivery of the Notes and on the distribution of offering materials in the United States of America, the UK, the EEA, Italy, Switzerland and Singapore, see "*Subscription and Sale*".
MiFID II Product Governance/ PRIIPs Regulation/FCA CoCo restriction:	Solely for the purposes of each manufacturer's product approval processes, the manufacturers have concluded that: (i) the target market for the Notes is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. No PRIIPs Regulation key information document has been prepared as the Notes are not available to retail investors in the UK or the EEA. No sales to retail investors.

RISK FACTORS

The issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Prior to investing in the Notes, prospective investors should carefully consider the risk factors associated with any investment in the Notes, the Issuer and the financial services industry in the UK in general, together with all the other information contained, and incorporated, in this document. This section describes the risk factors which are considered by the Issuer to be material to the Issuer and an investment in the Notes. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks and uncertainties which are currently not known to the Issuer or which it currently does not consider to be material. Should any of the risks described below, or any other risks or uncertainties, occur this could have a material adverse effect on the Issuer's business, results of operations, financial condition and/or prospects which in turn would be likely to cause the price of the Notes to decline and, as a result, an investor in the Notes could lose some or all of its investment.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. Any of these factors, individually or in the aggregate, could have an adverse effect on the Issuer's business, results of operations, financial condition and/or prospects. In addition, many of these factors are correlated and may require changes to the Issuer's capital requirements, and events described therein could therefore have a compounding adverse effect on the Issuer.

Prospective investors should also read the detailed information set out elsewhere in these Listing Particulars (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

1. Risks Related to the Issuer

RISKS RELATED TO THE MACROECONOMIC ENVIRONMENT IN WHICH THE GROUP OPERATES

The Group's business and financial performance have been and will continue to be affected by general economic conditions in the UK, and adverse developments in the UK or global financial markets, in particular the impact of UK's exit from the European Union, could have a detrimental impact on its earnings and profitability.

The Group's business is subject to general macroeconomic conditions in the UK and volatility in the global economic and financial markets; both generally and as they specifically affect financial institutions. In addition, future political developments in the UK, including but not limited to the withdrawal of the UK from the EU on 31 January 2020 ("**Brexit**") and the ending of the Brexit Transition Period provided for by the European Union (Withdrawal) Act 2018 as amended by the European Union (Withdrawal Agreement) Act 2020 (as so amended, the "**EUWA**"), from 31 January 2020 to 31 December 2020, during which time EU law and EU-derived domestic legislation will continue to apply to and in the UK (the "**Brexit Transition Period**") and/or changes in government and policies, could adversely affect the fiscal, monetary and regulatory landscape in which the Group operates.

Brexit has led to significant uncertainty over the macroeconomic outlook for the country. If the UK's economic conditions weaken, there is a fall in the level of customers' disposable income or profitability of small and medium-sized enterprises ("**SMEs**"), financial markets continue to exhibit uncertainty and/or volatility or political developments affect the UK fiscal, monetary or regulatory landscape, the Group's business, results of operations, financial condition and/or prospects could be adversely affected. If the UK experiences protracted trade negotiations with the European Union (the "EU") which lead to poor outcomes, this could impact UK exports and consumer confidence which in turn may lead to a rise in unemployment and a fall in house prices. The Group does not have material direct exposure to the EU outside the UK; however, since a significant part of the Group's business is based in the UK, the Group is particularly exposed to a potential downturn in the UK economy, in particular a slowdown in the housing market that could impact house prices and demand for mortgages. Furthermore, a downturn in the UK economy could also lead to a rise in unemployment and/or interest rates that could impact customer affordability of the Group's products.

Since the start of the global financial crisis in 2007, the global economy and the global financial system have experienced a period of volatile markets and significant uncertainty. The financial turbulence in 2007 and its after-effects on the wider economy led to generally more difficult earnings conditions for the financial sector and, at the time, resulted in the failures of a number of financial institutions in the United States, the UK and elsewhere in Europe and triggered unprecedented action by governmental authorities, regulators and central banks around the world. This action included injecting liquidity into the financial system and taking other forms of action relating to financial institutions, including bank recapitalisations and the provision of government guarantees for certain types of funding.

These market dislocations were also accompanied by recessionary conditions and trends in the UK and many other economies around the world. The widespread deterioration in these economies adversely affected, among other things, consumer confidence, spending and demand for and supply of credit, levels of unemployment, the state of the housing market, the commercial real estate sector, the cost and availability of credit, bond markets, equity markets, counterparty risk, inflation, transaction volumes in wholesale and retail markets, asset values, the liquidity of the global financial markets and market interest rates.

Brexit, as well as other global factors, such as the recent fall in oil prices, have created further volatility around the UK economy and financial markets worldwide. Until the nature of the new relationship between the UK and the EU following the end of the Brexit Transition Period (which is currently scheduled to continue until 31 December 2020) is known, it is not possible to determine the impact that the UK’s exit from the EU and/or any related matters may have on general economic conditions in the UK (including on the performance of the UK housing market) and/or on the Group's business, results of operations, financial condition and/or prospects.

In general, no assurance can be given that any of the matters outlined above would not adversely affect the ability of the Group to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

The Group's business and financial performance have been and will continue to be affected by the current global Covid-19 pandemic, which could have a detrimental impact on its earnings and profitability.

The current global Covid-19 pandemic is creating disruption to the global economy. In the UK it has initially resulted in market volatility and is impacting investment through: (i) lost output because of reduced movement and dislocation in supply chains; (ii) lower productivity because of travel restrictions, social distancing, self-isolation and sickness; (iii) impact on employment levels, particularly for the self-employed; (iv) reduced consumer spending and business investment; and (v) impact on other macroeconomic variables relevant to the Group including residential and commercial property prices, interest rates and size of key markets. The longer term impact is uncertain but continued disruption is likely to further intensify the adverse impact on the global and UK economy resulting in falling investment and consumer spending and deteriorating market sentiment. Government actions, both fiscal and monetary, may prove to be slow to take effect and/or be uncertain in their impact.

The Bank of England, Prudential Regulation Authority ("**PRA**") and Financial Conduct Authority ("**FCA**") have set out a range of regulatory measures and guidance in response to the Covid-19 pandemic which will have an impact on the Group. These measures and guidance are designed to support businesses and consumers and protect the UK economy and include the granting of Covid-19 related customer payment holidays and further extension and/or other forbearance measures. The full extent of the regulatory measures remains uncertain, and further measures (or extensions or expansion of existing measures) may be announced which the Group would need to comply with.

Although the impacts of Covid-19 on the Group and its stakeholders are being continually assessed, ongoing uncertainties mean the full extent of the implications including financial and business impact cannot currently be evaluated with a high degree of certainty. The full impact will depend on many factors including the length of the enforced closure of certain businesses and social facilities, the social distancing measures and the success and continuity of the government and the Bank of England's measures put in place to support the economy and businesses. However, it is clear that the impact of the pandemic, the steps taken to control it and the measures introduced to support the economy in the UK and elsewhere create new credit, operational, conduct, regulatory, reputational and financial risks which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects, including in the following ways:

- credit risk has increased, with the Group granting Covid-19 related payment holidays, extensions to payment holidays, forbearance, extensions of credit and other forms of support to its customers. The ability of customers to resume making loan payments is not yet clear;

- higher expected credit losses ("**ECL**") as a result of the deteriorating economic environment and reduced income as a consequence of lower lending and transaction volumes may also adversely impact the Group's financial prospects;

- model risk has also been increased by the pandemic. While the Group has initiated a review of the data used within its models and extended monitoring of key models to understand the short term effects, apply appropriate mitigating actions and develop long term plans to improve model resilience, there can be no assurance that it will be able to model accurately or address adequately the impacts of Covid-19. There is also an increased risk of material revision of the ECLs under IFRS 9 due to the degree of judgement and inherent uncertainty in the assumptions underlying the Covid-19 related additions to the modelled ECL. Due to the limited observable data available, Covid-19 related impairments are subject to significant levels of estimation. Given the significant uncertainties regarding the level and duration of the impact of Covid-19 and the responses thereto by government and regulators in the UK and globally, there can be no assurance that the estimates and modelling by the Group will prove accurate or be sufficient to cover actual losses or impairments as a result of Covid-19;

- the pandemic is likely to cause interest rates to remain at historically low levels (and there is increasing speculation about the possibility of the UK base rate of interest moving to a negative rate), and will result in longer term economic effects, potentially putting pressure on the Group's financial performance;

- there is a risk that additional capital may be required by the Group to absorb the impact of heightened levels of credit risk and any increase in impairment levels over time;

- there are likely to be heightened operational risks as the Group responds to the pandemic, including in the areas of cyber, fraud, people, technology and operational resilience such as those associated with increased remote working, the implementation of new processes, pressure on customer support areas, disruptions to infrastructure and technology services and/or failures of third parties to supply services to usual standards which could lead to increased errors or delays and/or customer detriment and could cause subsequent loss for the Group; and

- conduct, regulatory and reputational risks are also heightened including (i) as a result of any failure to recognise the impact of Covid-19 on vulnerable customers or those in financial difficulties, (ii) in relation to the processing, extension and/or ending of payment holidays and/or (iii) as a result of any failure to correctly interpret associated regulatory guidance.

In addition to the risks outlined above, the Group's different lending divisions are exposed to certain sectors which could be particularly impacted by Covid-19. For example, the Property Finance division is exposed to short-term lending and associated refinance risk at the end of the loan term (similarly the Business Finance division has exposure to Development Finance loans), the Business Finance division has exposure to the taxi, marine, aviation and leisure sectors, while the Consumer Lending division is exposed to risks relating to the solvency of suppliers within the home improvement and holiday ownership sectors (see the risk factor entitled "*The Group is exposed to risks relating to its business partners*" below for further information on this exposure under section 75 of the Consumer Credit Act 1974).

It is also expected that regulatory amendments will be introduced that are designed to ensure banks can continue to support the economy through the COVID-19 pandemic. For instance, the European Commission published the "Quick Fix to CRR II" on 28 April 2020, approved in European Parliament Plenary on 19 June 2020, which will introduce certain changes to the prudential framework in light of COVID-19, addressing areas such as leverage ratios, IFRS 9, backstops for non-performing exposures, software deduction, pension-salary backed loans and SME and infrastructure exposures. On 7 May 2020, the PRA announced that, in response to the

COVID-19 pandemic, it would set Pillar 2A requirements for firms as a nominal amount instead of a percentage of total RWAs. The changes are expected to take effect following the PRA’s Supervisory Review and Evaluation Processes for firms in 2020 and 2021.

Any and all such events and measures described above could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, liquidity and capital position, as well as on its customers, borrowers, counterparties, employees and suppliers.

The Group faces concentration risks relating to the macroeconomic environment in the UK and, in particular, Greater London and South East England.

The Group's operations are based entirely in the UK and its revenue is derived almost entirely from those jurisdictions, in particular England and, to a lesser extent, Wales, Scotland and Northern Ireland. In the event of a disruption to the UK credit markets or general economic conditions in the UK or macroeconomic conditions generally (including increased interest rates and/or unemployment in regions where the Group has significant presence), this concentration risk could cause the Group to experience a deterioration in earnings and reduced business activity.

Further, the Group faces an element of concentration risk due to a significant proportion of its Property Finance loan portfolio being secured against properties in Greater London and South East England. Falling property prices in the UK (particularly Greater London and South East England) may lead to increased loan impairment for the Group which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Adverse economic and market conditions may negatively impact the Group's lending divisions and overall business and financial performance, which could result in higher impairment charges and reduced lending opportunities for the Group.

A deterioration of economic and market conditions in the UK and/or prolonged volatility could have an overall material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Conversely, improving economic and market conditions could also adversely affect the Group as improved financial circumstances of SMEs or individuals to whom the Group provides loans may lead to borrowers repaying or refinancing their loans sooner than expected. Any improvement in the Group's lending opportunities as a result of improved economic and market conditions may not offset the effects of early repayments and, as a result, the Group's loan book may become smaller than anticipated. A small loan book may adversely impact the ability of the Group to achieve its growth targets, which in turn could have a material adverse effect on the Group's business results of operations, financial condition and/or prospects.

In addition to the overall impact on the Group of adverse economic and market conditions, the impact of adverse economic and market conditions on each of the Group's three lending divisions, which have different products and customers and as such are impacted in different ways, is described in more detail below:

Property Finance

The Group's Property Finance division focuses on mortgages for professional property investors, short-term loans for property professionals and commercial property loans for seasoned investors and SME owner-occupiers. In respect of consumers, the Property Finance division also provides loans secured against homes through second-charge mortgages.

Disruptions in the UK credit markets or general economic conditions in the UK could have a negative impact on the financial circumstances of borrowers to whom the Property Finance division provides loans, such as through reduced rental receipts if an economic downturn leads to reduced valuations that decreases yields being charged on properties or increased inability of tenants to pay rents, increases in unemployment and increasing inflation that may reduce surplus income. Reduced rental receipts or higher interest rates may affect borrowers' ability to repay their loans, which could increase default levels, arrears and forbearance as well as the Group's impairment charges. Higher impairment charges could reduce the Group's profitability, capital and ability to engage in lending. In addition, adverse economic and market conditions could lead potential investors to be less willing or unable to complete new property purchases. Any of the foregoing results could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Adverse economic and market conditions could also negatively affect residential property prices in the UK (or in a particular region in the UK to which the Group has significant exposure, such as Greater London and South East England), reducing the value of the collateral for loans and potentially limiting the Group's ability to fully recover the estimated value of the property securing loans upon repossession. These may result in increased impairment charges for the Group which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. In addition, lower property values or sustained volatility in property prices could reduce homeowners' equity in their homes and discourage or prevent potential borrowers from taking out second-charge loans, thereby reducing the Property Finance division's new lending opportunities.

A proportion of the Group's Property Finance mortgages are provided on an interest-only basis, where the customer repays interest during the term of the mortgage loan with the principal balance being repaid in full at maturity, or on a part capital repayment basis and a part interest only basis ("**part and part loans**") adverse market and economic conditions may mean that these customers are unable to repay their loans in full at the contractual maturity date. In those circumstances, the Group may extend such loans on a capital plus interest basis but there is a risk that, at the maturity of the loan, the customer does not have a sufficient amount of rental income to support a refinancing of the loan. This may lead to an increase in impairment charges on the Group's Property Finance portfolio and thus could have a material adverse effect on its profitability.

The property market has an important role in the UK and presents a systemic risk to the UK economy. For these reasons the property market remains under active regulatory focus with the buy-to-let market and private rented sectors, in particular, under increasing regulatory scrutiny.

In March 2019, the FCA published its market study on competition in the mortgage sector, focusing primarily on consumers' ability to make effective choices given the tools available to them, and the commercial arrangements between firms leading to possible conflicts of interest. Following that study, on 31 January 2020 the FCA amended its rules and guidance in this area relating to, among other things, the provision of execution-only mortgages and the explanations that mortgage advisers are required to give when recommending a particular mortgage.

There remains a risk that additional regulatory intervention may impact on the size of the market and lending prospects for the Group. In addition, the Group will also be subject to the possibility of the FCA exercising its product intervention rules, imposing penalties and imposing other sanctions if the FCA identifies non-compliance with MCOB or other FCA rules. It is possible that further changes may be made to the FCA's MCOB rules as a result of ongoing scrutiny of the mortgage market and regulatory reforms. No assurance can be given that the Group will not incur liability in connection with any past non-compliance, and any withdrawal of products or non-compliance could be significant and adversely affect the Group's results of operations and financial position and its reputation. See the risk factor entitled "*The Group's business is subject to substantial and changing laws and regulation*" below for further information on recent or proposed legislative and regulatory areas of focus.

Business Finance

The Group's Business Finance division operates through four sub-divisions: Asset Finance; Corporate Lending; Structured Finance; and Development Finance. Asset finance offers leasing and hiring purchase finance to UK based SMEs. Corporate Lending provides Asset-Based Lending and Commercial Loans. Structured Finance provides finance to non-bank specialist lenders, either through Wholesale Funding or Block Discounting in addition to funding for UK SMEs with institutional ownership. Development Finance provides finance to established regional mid-sized developers looking to build and refurbish properties in residential and commercial sectors for sale or investment.

Adverse economic and market conditions could negatively impact the businesses of the Business Finance division's customers. This impact may affect their ability to repay their loans, increasing the likelihood that such borrowers could default, which could in turn lead to an increase in non-payment, arrears and forbearance and could increase the Group's impairment charges. Higher impairment charges could reduce the Group's profitability, capital and ability to engage in lending activities. Adverse economic and market conditions may also affect borrowers' revenue and viability and result in more borrowers breaching loan covenants and entering administration. In the event of a default by a borrower, the Group may enforce its rights under the loan agreement and collect the borrower's receivables directly from the borrower's debtors. Where a borrower's debtors have also been negatively impacted by adverse economic and market conditions, they may also default on their payment obligations, and the Group may not be able to realise the full value of the invoices over which it has security, which could also lead to an increase in impairment charges.

In addition, SMEs are less likely to experience growth in a weak economic climate, which could reduce demand for funding and hence reduce new lending opportunities for the Business Finance division. Any of the foregoing results could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Adverse economic and market conditions could also negatively affect the value of the underlying assets provided as collateral for loans granted by the Business Finance division. This means the Group may not be able to recover the estimated value of the collateral assets upon repossession and, in the case of operating leases, such as medical equipment leases in the healthcare area, at the end of the lease, the residual value assigned to the asset being less than any value achieved on sale. Any such reduction may result in increased impairments for the Group which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Consumer

The Consumer division provides a range of unsecured personal loans to UK consumers, primarily distributed through marketplaces and strategic partners.

Adverse economic conditions in the UK could have a negative impact on the financial circumstances of borrowers to whom the Consumer division provides loans, leading to increased levels of forbearance and arrears. This is likely to result in an increase in the impairment losses which would in turn have an adverse impact on the Group’s profitability. In addition, demand for borrowing to fund discretionary purchases such as home improvements or holiday ownership is likely to fall during periods of economic decline, potentially reducing the Consumer division's new lending opportunities. Furthermore, the financial stability of the Division’s strategic partners could have a detrimental impact on the new business opportunities if they were to reduce and/or cease trading.

The provision of consumer credit remains an area of key focus for the PRA and the FCA. The Group's compliance with the requirements applicable to the provision of consumer credit may be subject to greater scrutiny by either the PRA, the FCA, or both. For example, the FCA has highlighted the risk of potential harm to consumers from poor culture and practice when assessing affordability in consumer credit. In July 2018, it published new rules and guidance in this area setting out its expectations of firms in assessing creditworthiness which came into effect on 1 November 2018. The FCA is able to take an interventionist approach to the regulation of consumer credit and has an overall supervisory remit over financial institutions such as the Group. Along with other consumer credit providers, greater direct or indirect regulatory scrutiny of the Group’s compliance with the relevant legal and regulatory requirements may result in additional costs to be dedicated to this aspect of the Group's operations.

As a consumer credit provider, the Group will be subject to the possibility of the FCA exercising its product intervention rules, imposing penalties, requiring reimbursement to customers and imposing other sanctions if the FCA identifies non-compliance. No assurance can be given that the Group will not incur liability in connection with any past non-compliance with consumer credit legislation or with other similar legislation, and any withdrawal of products or non-compliance could be significant and adversely affect the Group's results of operations and financial position and its reputation. See the risk factor entitled "*The Group’s business is subject to substantial and changing laws and regulation*" below for further information regarding the FCA's oversight of the consumer credit regime.

The Group's existing customers may be negatively affected by interest rate movements, which could in turn reduce demand for the Group's loan products and have a material adverse effect on the Group.

Interest rates on the loan products offered by the Group are either fixed-rate, linked to base rates, linked to the London Interbank Offered Rate ("**LIBOR**") or determined by the Group depending on a range of factors, including interest rate movements ("**administered rate**").

Importantly, LIBOR is in the process of being replaced by the Sterling Overnight Index Average ("**SONIA**") as the primary sterling interest rate benchmark. The details of the transition are discussed in "*Regulation and reform of benchmarks, including LIBOR, and other interest rates and indices may adversely affect the Group's returns on affected loans*" – below.

Increases in the Bank of England base rate (the "**Bank Rate**"), LIBOR, SONIA, administered rates or other external benchmark rates may result in larger monthly repayments for the Group's borrowers, which may in turn lead to increased defaults and therefore impairment charges. These increased impairment charges may more than offset any increases in interest income, resulting in lower than expected profitability. Increases in the Bank Rate, LIBOR, SONIA, administered rates or other external benchmark rates may also negatively affect the Group's new lending opportunities by reducing demand for loan products. Individuals and SMEs are often less able, and may be less willing, to borrow when interest rates are high. The foregoing may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Fluctuations in interest rates may negatively impact the net interest margin and profitability of the Group.

Fluctuations in interest rates are influenced by factors outside of the Group's control (such as the fiscal and monetary policies of governments, central banks and UK and international political and economic conditions) and can affect the Group's results and profitability in a number of ways.

Changes in interest rates, along with changes in the demand and supply of credit and funding, affect the Group's net interest income and margin. Although the Group seeks to manage prudently its exposure to interest rate mismatch between assets and liabilities by using interest rate swaps, there is no guarantee that the Group will be able to manage effectively its exposure to interest rate volatility, which could materially adversely affect its business, results of operations, financial condition and/or prospects. Further, if interest rates fall it may not be possible to re-price the Group's deposits to match falling interest rates, which would lead to reduction in the Group's net interest income and margin.

Regulation and reform of benchmarks, including LIBOR, and other interest rates and indices may adversely affect the Group's returns on affected loans.

A significant proportion of the Group's loan book comprises loans, the interest rate of which is linked to LIBOR. LIBOR and other interest rates and indices which are deemed to be 'benchmarks" are the subject of on-going national and international regulatory reform. Some of these reforms are already effective whilst others are still to be implemented. Following the implementation of any potential reforms, the manner of administration of benchmarks (including

LIBOR) may change, with the result that they may perform differently than in the past or cease to exist or be available entirely, or there could be other consequences which cannot currently be predicted.

For example, the Bank of England and FCA Working Group on Sterling Risk-Free Rates (the "**RFRWG**") has been mandated with implementing a broad-based transition to SONIA across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. In a public letter dated 16 January 2020, in which the PRA and the FCA set out their initial expectations for transition from LIBOR to SONIA during 2020, the PRA and the FCA referred to a series of targets set for 2020 by the RFRWG. Those targets include, for instance, that firms should cease issuance of sterling LIBOR-based cash products maturing beyond 2021 by end Q3 2020. Accordingly, the continuation of LIBOR in its current form will not be guaranteed after 2021, and it is likely that several panel banks will cease contributing to LIBOR from 2022, leading to LIBOR's cessation. Given this, the FCA called for the industry to start preparing for LIBOR cessation, by transitioning from Interbank offered rates ("**IBORs**") to risk-free rates ("**RFRs**"), such as SONIA.

On 7 May 2020, the Bank of England published a market notice (the "**Market Notice**") relating to: (i) haircut add-ons that will be applied to LIBOR linked collateral; and (ii) the eligibility of LIBOR linked collateral for the purposes of the Sterling Monetary Framework ("**SMF**"). For these purposes, the phrase 'LIBOR linked collateral' means: (a) LIBOR linked loan portfolios, (b) collateral securities where the coupon pays a rate of interest calculated by reference to LIBOR; (c) collateral securities where embedded swap payments are calculated by reference to LIBOR; and (d) collateral securities backed by loans where one or more loans in the portfolio is a LIBOR linked loan. Under the terms of the Market Notice, the haircut add-on to LIBOR linked collateral will be 10 percentage points from 1 April 2021, 40 percentage points from 1 September 2021 and 100 percentage points from 31 December 2021. The Market Notice also provides that: (x) from 1 April 2021, all LIBOR linked collateral securities issued on or after that date and maturing after 31 December 2021, where LIBOR is the applicable reference rate, will be ineligible for use in the SMF; and (y) from 31 December 2021, all LIBOR linked collateral, regardless of the issuance of origination date, will be ineligible for use in the SMF. The Group has LIBOR linked collateral placed with the Bank of England, and if an effective transition of these loans to a new reference rate is not completed by 1 September 2021, there is a risk that the Group will no longer hold sufficient collateral at the Bank of England to support its SMF activities,, including the UK Government's Term Funding Scheme ("**TFS**").

Transition from LIBOR to RFRs presents several risks: (i) there are fundamental differences between LIBOR and RFRs and value transfer may arise in transitioning contracts from one to the other; (ii) the market may transition at different paces in different regions and across different products, presenting various sources of basis risk and posing major challenges on hedging strategies and (iii) there are several additional finance, compliance, legal and operations risks associated with transition. As LIBOR is the most widely used benchmark, its cessation and transition to RFRs will have profound impact on all participants in the financial markets.

It is not, however, possible fully to predict the effect of such reforms to LIBOR or any changes in the methods pursuant to which LIBOR rates are determined, including to the rules promulgated by the FCA in relation thereto, that will be enacted in the UK and elsewhere. It is also not certain whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot currently be predicted.

The Group, like other firms supervised in the UK, is required to transition away from LIBOR to alternative interest rate benchmarks by the end of 2021. The Group must make sure that its customers are managed through the transition with good customer outcomes and that new contracts are linked to alternative rates in good time.The elimination of the LIBOR benchmark, changes in the manner of administration of LIBOR or a transition to SONIA or any other alternative benchmark may result in a change in the calculation of interest of the Group's loans, the interest rate of which is linked to LIBOR. Any such change could be unfavourable to the Group and could adversely affect the returns the Group generates from such loans. Furthermore, the Group may be required to re-negotiate and re-document the terms of the affected loans, which could result in additional costs in the servicing and administration of such loans.

The Group could be negatively affected by any actual or perceived deterioration in the soundness of other financial institutions and counterparties.

Given the high level of interdependence between financial institutions, the Group is and will continue to be subject to the risk of actual or perceived deterioration in the commercial and financial soundness of other financial services institutions. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the insolvency of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a financial institution may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses and banks with whom the Group interacts on a daily basis. Systemic risk could have a material adverse effect on the Group's ability to raise new funding and liquidity as well as on its business, results of operations, financial condition and/or prospects.

Any actual or perceived deterioration in the soundness of other independent specialist banks may also affect perceptions of the commercial and financial soundness of the independent specialist banking sector as a whole, including the Group. This could also have a material adverse effect on the Group's ability to raise new funding and liquidity as well as on its business, results of operations, financial condition and/or prospects.

The Group is exposed to climate related physical risks and transition risks.

Many national governments have, through the UN Framework Convention on Climate Change process and Paris Agreement, made commitments to enact policies which support the transition to a lower carbon economy, limiting global warming to less than 2ºC and therefore mitigating the most severe physical effects of climate change.

Such policies may however have significant impacts, for example, increased regulation in the property or agricultural sector may reduce the profitability of the businesses of some clients and therefore affect demand for financial products and services. Conversely, if governments fail to enact policies which limit global warming, the Group's markets are particularly susceptible to 'physical' risks of climate change such as flood risk to mortgage portfolios, declining agricultural output increasing default rates and tightening energy efficiency standards affecting property exposures.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

RISKS RELATED TO THE GROUP'S BUSINESS

The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries (including those of Shawbrook Bank Limited or any other subsidiary) upon the liquidation of such subsidiaries, and the extent to which the Issuer suffers losses if it or any of its subsidiaries are subject to bank resolution proceedings, may depend, amongst other things, upon the degree to which the Issuer's loans to, and investments in, such subsidiaries are subordinated.

The Issuer is a holding company that currently has no significant assets other than its loans to, and investments in, Group subsidiaries, including Shawbrook Bank Limited, which means that if any such subsidiary is liquidated, the Issuer's right to participate in the assets of such subsidiary will depend upon the ranking of the Issuer's claims against such subsidiary according to the ordinary hierarchy of claims in insolvency. So, for example, insofar as the Issuer is a holder of ordinary shares in a Group subsidiary, the Issuer's recovery in the liquidation of such subsidiary will be subject to the prior claims of such subsidiary's third party creditors and preference shareholders (if any). To the extent the Issuer holds other claims against any Group subsidiary that are recognised to rank *pari passu* with any third party creditors' or preference shareholders' claims, such claims of the Issuer should in liquidation be treated *pari passu* with those third party claims.

As well as the risk of losses in the event of a Group subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, or investments in, such subsidiary are subject to write-down and conversion by statutory power or regulatory direction, or if the subsidiary is otherwise subject to resolution proceedings. See the description of these powers in "*Mandatory write-down and conversion of capital instruments may affect the Notes*" below. The Issuer has in the past made, and may continue to make, loans to, and investments in, Shawbrook Bank Limited and other Group subsidiaries, with the proceeds received from the Issuer's issuance of debt instruments. Such loans to, and investments made by, the Issuer in such subsidiary, will generally be subordinated to depositors and other unsubordinated creditors and may be subordinated further to meet regulatory capital requirements and furthermore may contain mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or such subsidiary or upon regulatory direction would result in a write down or conversion into equity of such loans and investments.

The Issuer retains its absolute discretion to restructure such loans to, and any other investments in, any of its Group subsidiaries, including Shawbrook Bank Limited, at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group subsidiary, and the inclusion of a mechanism that provides for a write down and/or conversion into equity upon specified triggers or regulatory direction. Any restructuring of the Issuer's loans to, and investments in, any of the Group subsidiaries may be implemented by the Issuer without prior notification to, or consent of, the Noteholders.

The regulatory capital treatment, and otherwise the ranking in the ordinary insolvency hierarchy, of the Issuer's claims against a Group subsidiary will affect the extent to which the Issuer is exposed to losses if such subsidiary enters into resolution proceedings or is subject to write-down or conversion of its capital instruments or other liabilities. In general terms, the more junior in the capital structure the investments in, and loans made to, any Group subsidiary are relative to third party investors, the greater the losses likely to be suffered by the Issuer in the event that any Group subsidiary enters into resolution proceedings or is subject to write-down or conversion of its capital instruments or other liabilities.

Furthermore, as a result of the structural subordination of notes issued by the Issuer (such as the Notes) described above, if any Group subsidiary were to be wound up, liquidated or dissolved, (i) the holders of the notes would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of the creditors (and holders of preference shares or capital instruments ranking ahead of any such entity's ordinary shares) of such subsidiary (such creditors and holders of preference shares may include the Issuer) ranking ahead of the holders of ordinary shares of such subsidiary. Similarly, if any of the Group subsidiaries were subject to resolution proceedings (i) the holders of the notes would have no direct recourse against such subsidiary, and (ii) holders of the notes themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of stabilisation powers, as to which, see "*The Group's business is subject to the potential impact of UK and EU banking reform initiatives*" below.

The competitive environment in which the Group operates may negatively affect the Group's ability to continue to source loan originations in line with its targeted volumes and rates.

A core element of the Group's business strategy is to continue to source loan originations in line with targeted volumes and rates by addressing customers and business partners (e.g. brokers and other intermediaries, professional introducers, home improvement suppliers and retailers) who may be poorly served by other banks and by providing them with high quality service. If other competitors target the same markets as the Group, the Group may lose its differentiating position and be unable to originate loans in line with projected volumes and rates.

The Group faces competition from established providers of financial services, including banks, building societies, other existing specialist lenders and other financial institutions, many of which have greater scale and financial resources, stronger brand recognition, broader product offerings and more extensive distribution networks than the Group. While the Group believes that high street banks may be less willing or able to address the same lending market sub-sectors as the Group, and that customer preferences (particularly with respect to SMEs) have created significant opportunities in these sub-sectors, these factors are subject to change, which could adversely affect the Group's business.

The Group also faces potential competition from new market entrants, including other specialist lenders, which may have an appetite for higher risk and/or may be willing to accept lower yields than the Group and may therefore offer products which are chosen by potential customers in preference to the Group's product offerings. For example, in the Business Finance division, the continued growth of niche players and other more established brands seeking higher yields means the marketplace has become more crowded, and differentiation has become more difficult as a result. The growth in direct unsecured loan providers (e.g. Funding Circle and Esme) suggests that more businesses are taking general (and potentially high cost) short-term lending products rather than fit-for-purpose asset finance solutions. This trend may begin to reverse as technology within the asset financing space improves and speed of decision-making and service levels improve in-line with the unsecured market, but there can be no guarantee that this will happen.

Following the publication of the final report of the Competition and Markets Authority's (the "**CMA**") retail banking market investigation in August 2016, the CMA implemented its Retail Banking Market Investigation Order 2017, which includes measures designed to ensure that customers benefit from technological innovation and that new market entrants and smaller providers are able to compete more fairly with larger more established banks. The key measures include (i) requiring nine of the largest banks to implement Open Banking, to enable personal customers and small businesses to share their data securely with other banks and with third parties, (ii) requiring banks to publish trustworthy and objective information on quality of service on their websites and in branches, and (iii) making it easier for customers to switch banks. The implementation of the Open Banking initiative reflects an ongoing concern of the UK Government to increase innovation and competition in the banking sector. There can be no assurance that such or similar measures, regulatory requirements to take remedial action in this regard or other regulatory actions will not adversely affect the Group’s business model, customer base, revenue, or market share. In addition, any increased use of technology by the Group to comply with such requirements may increase the Group’s exposure to cyber security risk, fraud, IT and data protection failures, and increased compliance costs.

Competitors may also engage in enhanced marketing activities which may result in the Group's customers refinancing their loans and mortgages with them.

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

The Group's hedging strategy may not be effective.

Fluctuations in interest rates are influenced by factors outside of the Group's control and can adversely affect the Group's results of operations and profitability in a number of ways. There are three key risks relating to the effectiveness of the Group's hedging strategy:

Execution risk

The Group's hedging strategy involves managing the interest rate and basis mismatch it has in respect of liabilities on its deposit book, on the one hand, and the income generated from its lending activities and investments, on the other. There can be no assurance that the Group's strategy of hedging blocks of its deposit and lending activities will be effective, particularly in unusual or extreme market conditions.

Overhedging risk

In order to implement its hedging strategy, the Group uses derivative instruments including interest rate swaps, to reduce its exposure to fluctuations in interest rates. In particular, the Group may enter into interest rate swaps to hedge mismatches between its liability to pay interest on fixed rate deposits and income generated from mortgages and loans with floating rates. Alternatively, it may enter into interest rate swaps to hedge mismatches between income generated from mortgages and loans with fixed rates and its liability to pay interest on deposits with floating rates. Should a significant number of mortgages or loans be prepaid early then the Group could incur significant losses on its associated hedges if it is required to unwind them at a time when they have a negative fair value.

Counterparty risk

The Group is also exposed to counterparty risk in relation to its hedging strategy, Although the Group's hedging arrangements are collateralised and has centrally cleared derivatives (including its hedging arrangements) since 18 October 2019 to mitigate the Group's exposure to the failure of its counterparties, any failure by the Group's hedging counterparties to discharge their obligations, particularly in circumstances where they fail to provide adequate collateral for their obligations, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is exposed to risks relating to its business partners.

The distribution model for the Group's various business lines relies on a number of business partners (e.g. brokers and other intermediaries). In general, any failure by a business partner has the potential to: (i) put negative pressure on originations; (ii) lead to a deterioration in customer service; (iii) have a negative effect on the Group's reputation; and (iv) increase the Group's Section 56 Risk and Section 75 Risk (each defined below).

Although the Group undertakes initial accreditation and on-going reviews of its business partners, it does not have complete oversight of their interactions with prospective customers and, consequently, the Group faces certain risks related to the conduct of its business partners. If business partners are found to have acted inappropriately or violated applicable conduct regulations or standards in the sale of the Group's loan products, the Group's brand and/or reputation could be harmed as a result.

Under section 56 of the Consumer Credit Act 1974 (as amended) (the "**CCA**"), negotiations conducted between a supplier of goods and services and customers, where the purchase of the goods and services is financed by the Group, will be deemed to be conducted by the supplier acting as agent of the Group as well as in its own actual capacity ("**Section 56 Risk**"). As a result, the Group will be bound by any representations made by the supplier to the customer from the moment of first communication. It is therefore possible that the Group may be subject to claims made against it in respect of alleged misrepresentation by suppliers. This could adversely affect the Group.

In addition, the Group's Consumer Lending division is exposed to risk under section 75 of the CCA, in relation to misrepresentations or breaches of contract by suppliers of goods and services to customers where the purchase of those goods and services is financed by the Group ("**Section 75 Risk**"). In these circumstances, customers who wish to bring a claim against a supplier under section 75 of the CCA may be able to bring a like claim against the Group, as creditor, who, together with the supplier, is jointly and severally liable to the customer. While the Group would have recourse to the supplier in the event of such liability, if the supplier becomes insolvent then that recourse would have limited value.

The Group has seen an increase in exposures to insolvent suppliers, specifically in the case of the Group's exposure to Section 75 Risk relating to solar panels. The Group's Consumer Lending division has worked, and continues to work, to ensure that all complaints relating to solar panels are being fairly addressed.

Provisions have been recognised in respect of Section 75 Risk where the suppliers have become insolvent and therefore the Group has limited recourse to those suppliers – as at 31 December 2019, the Group recognised a £7.3 million provision (2018: £10.2 million). Such provisions represent Management's best estimate of the Group's likely costs. In determining the amount of the provisions, it is often necessary to form a view on matters which are inherently uncertain, such as the number of future complaints, the extent to which they will be upheld and the average cost of redress. This therefore represents a key source of estimation uncertainty.

In addition, the Group may fail to develop products that are attractive to its business partners or otherwise not succeed in developing relationships with business partners. Furthermore, the Group could lose the services of its business partners, for example, as a result of market conditions or regulatory developments causing their closure or having their businesses acquired by the Group's competitors. Any of these factors could have a negative impact on the Group's ability to meet its strategic objectives and, consequently, a material adverse effect on its business, results of operations, financial condition and/or prospects.

The Group is reliant on its reputation and the appeal of its brand to its business partners and customers. Any damage to the Group's reputation and appeal could harm the Group and its business prospects.

The success of the Group's strategy relies significantly on the reputation of the Group and its senior management, and on its business partners and customers associating its brand with fast decisions transparency, fairness, meeting customer needs and delivering value to those customers.

Any circumstance that causes real or perceived damage to the Group's brand may negatively affect the Group's relationships with its business partners and customers, which would have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Potential reputational issues include, but are not limited to:

- breaching or facing allegations of having breached legal and regulatory requirements (including, but not limited to, conduct requirements, money laundering, CCA laws and regulations, MCOB and the MCD, anti-terrorism financing requirements and data protection laws);

- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices; see "*The Group's business is subject to substantial changing laws and regulation*" below);

- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;

- failing to appropriately address potential conflicts of interest;

- experiencing technology failures that impact customer services and accounts;

- failing to identify properly legal, reputational credit, liquidity and market risks inherent in products offered; and

- changing the terms of the Group's product offerings or pricing that may result in outcomes for customers which are unfair, or perceived to be unfair.

A failure to address these or any other relevant issues appropriately could make business partners and customers unwilling to do business with the Group, which could have a material adverse effect on its business, results of operations, financial condition and/or prospects and could damage its relationships with its employees and regulators.

The Group is exposed to operational risk resulting from inadequate or failed internal processes, fraud, systems failures or from external events.

Operational losses can result, for example, from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of systems and controls, including those of the Group's suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, reporting systems and to staff training, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Group. Any operational failure may cause serious reputational or financial harm and could have a material adverse effect on the Group's reputation as well as on its business, results of operations, financial condition and/or prospects.

The Group has taken a number of steps to strengthen risk controls, including establishing a dedicated Operational Resilience team, the implementation of privileged system access auditing, high availability systems, robust disaster recovery and business continuity measures (ensuring key partners and suppliers have as well), the removal of certain delegated authorities, appropriate segregation of origination and operations and implementation of the risk management framework across the business. However, notwithstanding such measures, there can be no assurance that the Group will not incur liability for other historic or future breaches of risk controls or as a result of other legacy actions (or omissions) or forms of fraudulent activity. Any such liability incurred could be significant and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is subject to risks relating to fraudulent activity carried out by business partners and customers and inaccurate or misleading information provided by business partners and customers.

Due to the nature of the Group's business, it has exposure to many different customers and business partners. The Group's selection and screening processes with respect to its business partners and lending customers, as well as its internal relationship management processes, may be ineffective if the Group's customers or business partners engage in fraudulent activity. Such fraudulent activity could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is also reliant on the accuracy and completeness of information it receives from its business partners, credit reference agencies and customers. If the Group receives inaccurate or misleading financial statements, credit reports or other financial information relating to its borrowers, such borrowers may be more likely to default on their obligations to the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is subject to conduct risk, including the risk that it treats its customers unfairly and delivers inappropriate outcomes.

Conduct risk is the risk of detriment to the Group’s clients, investors, shareholders, market integrity, competition and counter-parties from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. Failure to deliver fair customer outcomes and to protect the integrity of the markets may lead to regulatory sanctions, financial loss and reputational damage. The effective management of conduct risk takes into consideration the Group’s culture, its strategy, business model, and the implementation of the three lines of defence model across the Group.

In addition to the Group’s external stakeholders, conduct risk may also arise in respect to its behaviour towards its employees. The Group believes that everyone is entitled to a fair and safe working environment that is free from discrimination, exploitation, bullying, harassment or inappropriate language.

In recent years, issues associated with non-compliant processes and failures to meet the legitimate expectations of customers have proved to be a significant source of redress costs for the financial services industry. In addition to direct fines from regulatory actions and costs of remediation, the industry has accrued considerable reputational damage. Conduct risk and culture are therefore a particular focus of the FCA.

Although the Group seeks to manage conduct risk in a timely and effective manner, the occurrence or continuation of one or more of the abovementioned risks by the Group or any of the Group’s business partners, or any failure to manage one or more of such risks effectively, could result in significant costs of redress and for remediation and/or damage to the Group's reputation, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Failure by the Group to manage change could have a material adverse effect on the Group's business.

Change management is required in order to remain resilient and competitive as well as to meet the Group's regulatory requirements. The pace and scope of change facing the financial services industry and individual firms continues unabated. Change management is governed by committees and working groups at each level of the business, including the Executive Committee, the Operational Committee, the Investment Delivery Sub-Committee, the Steering Committee and the relevant Project Working Groups. The Group appointed a Chief Technology Officer, who works closely with the Chief Operating Officer, to drive the delivery of all business change as well as its technical transformation in support of the strategic plan.

Any failure or delay in implementing such change agenda successfully could create delivery challenges and lead to disruptions in the Group's strategy and delivery of its objectives. This may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

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

The Group's approach to risk management requires senior management to make complex judgements, including decisions (based on assumptions about economic factors) about the level and types of risk that the Group is willing to accept in order to achieve its business objectives. These also include the maximum level of risk the Group can assume before breaching constraints determined by regulatory capital and liquidity needs and its regulatory and legal obligations including, among others, from a conduct and prudential perspective. Given these complexities, and the dynamic environment in which the Group operates, the decisions made by senior management may not be appropriate or yield the results expected. In addition, senior management may be unable to recognise emerging risks for the Group quickly enough to take appropriate action in a timely manner.

The Group's risk management also involves the use of risk models which are mathematical representations of business systems designed to help predict, experiment with or optimise decisions and scenarios used throughout the business. Negative outcomes could occur as a direct result of weaknesses or failures in the design or use of any such model.

Furthermore, the Group has a limited operating history and, consequently, does not have a long track record on which it can assess the performance of its systems and processes or the analysis of those systems' outputs. The PRA, in its ‘Dear CEO’ letter of 12 June 2019 highlighted the particular need for fast-growing firms to have in place robust governance and stress-testing frameworks in place to mitigate risk. There is a risk that the Group's "Three Lines of Defence" model for managing risk may not be deployed correctly or used as intended, resulting in financial loss or increased expense to the Group. While the Group has guidelines, policies and contingency plans to manage such risks, they may not prove to be adequate in practice.

If the Group is unable to effectively manage the risks it faces, its reputation, business, results of operations, financial condition and/or prospects could be materially adversely affected.

The Group's business is subject to inherent liquidity risks, particularly if the availability of traditional sources of funding, such as retail deposits or access to wholesale funding markets, becomes limited and/or more expensive.

Financial institutions such as the Group are subject to liquidity risk as an inherent part of their business. Liquidity risk is the risk of having insufficient liquid assets to fulfil obligations as they become due or of the cost of raising liquid funds becoming too expensive. The Group is currently funded by a mixture of individual and SME deposits and wholesale funding, including the TFS. The Group's ability to continue to access a sufficient level of deposit funding on reasonable terms or at all may be negatively affected by, among other things:

- the availability and extent of deposit guarantees - if the UK Government were to withdraw the Financial Services Compensation Scheme ("**FSCS**"), or lower the amount of deposits which are guaranteed (currently £85,000 per person per institution), this could reduce the confidence of retail savers in the UK banking system and, in particular, in specialist banks like the Group; and

- any increase in regulatory constraints imposed on the Group and other businesses in the financial services industry or changes to the credit markets in general which makes wholesale funding less attractive, thereby increasing competition in the market for retail deposits.

In addition, the Group's funding needs may increase and/or its existing or planned funding structure may not continue to be efficient. The Group intends to continue access wholesale funding in the future, but the availability of wholesale funding depends on a variety of factors, including market conditions, the general availability of credit (in particular to the financial services industry), the volume of trading activities, competition and the wholesale funding markets' assessment of the Group's asset quality and systems credit strength. These and other factors may limit the Group's ability to raise funding in wholesale markets on reasonable terms, which could result in an increase in the Group's cost of funding and have a material adverse effect on the Group's prospects.

If the Group does not price its savings products effectively, it may not be able to meet its funding requirements (in terms of both volume and duration) on reasonable terms, If the Group is unable to access sufficient deposit funding on reasonable terms for a prolonged period of time, the Group may not have sufficient funds for its growth strategy and its cost of funding could increase. If the Group is unable to pass on any such increase to its lending customers through increased pricing on loans, the Group's business, results of operations, financial condition and/or prospects could suffer a material adverse effect. A continued inability to access sufficient liquidity either from deposits or wholesale funding sources would cause further negative impacts on the Group, including the Group failing to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements and to fulfil its commitments to lend. While the Group believes that it has adequate liquidity headroom and a prudent term structure of funding, in such extreme circumstances the Group may not be in a position to continue to operate without additional funding support and any inability to access such support could have a material adverse effect on the Group's solvency.

In past years the UK Government has provided significant support to UK financial institutions, including through the TFS. The withdrawal of such schemes could increase competition for other sources of funding which could negatively impact the Group.

As noted above, the Group is currently funded by a mixture of individual and SME depositors and wholesale funding, including the TFS.

The TFS was announced by the Bank of England on 4 August 2016 and became effective from 19 September 2016. The TFS was designed to reinforce the transmission of bank rate cuts to those interest rates actually available to households and businesses by providing term funding to banks at rates close to bank rate. In addition to its primary monetary policy objective, the TFS was intended to provide participants with a cost effective source of funding in the form of central bank reserves to support additional lending to the real economy. The TFS allowed participants to borrow reserves (in cash) in exchange for eligible collateral during a defined drawdown window. TFS drawdowns could be made until 28 February 2018. Having drawn £875 million at the closure of the scheme, the Group had £757 million outstanding as at 31 December 2019. The final contractual payment is due in February 2022.

The Bank of England announced a new TFS on 11 March 2020, offering four-year funding of at least 5 per cent. (subsequently increased to 10 per cent.) of participants' stock of real economy lending. Additional funding will be available for banks that increase lending, especially to SMEs. The Group intends to participate in this new scheme.

The availability of Government support for UK financial institutions, to the extent that it provides access to cheaper and more attractive funding than other sources, reduces the need for those institutions to fund themselves in the retail or wholesale markets. By participating in schemes such as TFS and reducing the need to fund itself in the retail or wholesale markets, there is a risk that if the Group ceases to remain sufficiently active in those markets its access to them could be prejudiced in the future when Government support is no longer available to it. As a result, the Group may face increased competition for funding in the future. Any such increase in competition for funding may result in an increase in the Group's funding costs and reduce the Group's net interest margin, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

To mitigate this the Group completed an inaugural residential mortgage backed securitisation in May 2019 and continues to explore ways to expand its wholesale funding base. However, this introduces the risk that collateral used in both public and private transactions will mean there is not enough suitable collateral available to the Group in order to maintain the necessary cover over the TFS drawn balance. This could result in repayment ahead of the Group's budgeted repayment profile, and thereby increase costs of funds as other, more expensive funding, would be used to refinance the uncovered amounts.

In addition, if the Group were to fail to meet any of the terms and conditions which apply to its participation in the TFS, the Bank of England could increase the cost of the Group's continued participation in the scheme or reduce the benefit the Group derives from its participation. In addition, and in certain extreme circumstances (e.g. where the Group has failed to comply with a material obligation under the terms and conditions of the relevant scheme), an event of default could be triggered, which would give the Bank of England the right to terminate the Group's participation and would require early repayment of the Group's borrowings under the scheme. Any such result would require the Group to find replacement funding and this could have an adverse impact on the Group's financial position and performance. Such a scenario could result in an increase in funding costs and reduction in net interest margin and could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group could fail to attract or retain its senior management or other key employees.

The successful management and operations of the Group are reliant upon the contributions of its senior management and other key personnel, including origination, underwriting and risk employees, who are key to the Group's bespoke approach to lending. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified employees who fit with the Group's culture. There is intense competition in the financial services industry for skilled personnel and there can be no assurance that the Group will be able to hire or retain a sufficient number of qualified personnel to meet its requirements or that it will be able to do so at salary, benefit and other compensation costs that are acceptable to it and/or would allow it to achieve operating results that are consistent with its historical results. Although the Group takes steps to protect itself in relation to the loss of key personnel (such as the inclusion of restrictive covenants and/or 'gardening leave' provisions in the employment contracts of key personnel), the loss of service of any of the Group's senior management or other key personnel, or an inability of the Group to attract new personnel, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is subject to risks relating to the conduct and operations of its third-party service providers, which may also adversely impact credit quality and impairment of loans.

In addition to its business partners, the nature of the Group's business exposes it to a number of different third parties whose failure to perform could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

In particular, the Group's business is reliant on the major UK banks which act as clearing banks and payment services providers. The Group has encountered situations where, as a result of a clearing bank failing to meet its agreed service levels, borrowers have not received funds lent by the Group, causing such borrowers, in some instances, to be unable to complete property purchases. There can be no assurance that these failures will not occur in the future or that the general level of service provided by such clearing banks or payment services providers will not deteriorate in the future. Such failures in service levels have given rise to, and could in the future give rise to, reputational damage which could cause harm to the Group and its business prospects. In addition, there can be no assurance that the fees which the clearing banks and payment services providers charge the Group will not rise. Any such outcome could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group also relies on the services of Target Servicing Limited ("**Target**") (which became part of Tech Mahindra in 2016), a wholly-owned subsidiary of Target Group Limited, to provide certain account administration, customer servicing and arrears management services for the Group's

Property Finance and Consumer lending portfolios. Target is authorised and regulated by the FCA with firm reference number 454569. These services include the provision of certain notices and forms to the Group's customers in accordance with regulatory requirements (although this does not affect the Group's own obligations in respect of regulatory compliance). A failure by Target adequately to deliver these services, including failing to ensure the proper delivery, format and content of communications that are required to be sent to the Group's customers and to ensure proper customer data and funds management, or the failure to maintain regulatory permissions necessary to carry on its business, could negatively affect the Group's reputation, customer relationship, operations, and expose the Group to potential liability under applicable regulations or require remediation to customers. Such potential liability could give rise to a range of potentially negative outcomes for the Group, including regulatory enforcement action, the award of financial redress and/or other remedies to affected customers, in respect of which the Group may not be able to recover from Target its losses and/or costs in connection with such liabilities. Any of the foregoing outcomes could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is dependent on its IT systems, which are subject to potential disruption or failure.

The Group's operations are dependent on its IT systems, which could potentially suffer significant disruptions or even failure. Although the Group believes its IT systems have been implemented in a resilient manner across multiple data centres to allow the Group to scale its business, there can be no absolute assurance that such IT systems will be able to support a significant increase in business, including online traffic, as the Group's customer base grows.

Additionally, while the Group has in place data replication, disaster recovery and business continuity procedures and security measures in the event of IT failure or disruption, including backup IT systems for business critical systems, these backup systems are not, and are not intended to be, a full duplication of the Group's operational systems.

Should any of these technologies, procedures and measures not anticipate, prevent or mitigate a system failure or disruption, or should an incident occur for which there is no duplication, the Group could experience a material adverse effect on its business, results of operations, financial condition and/or prospects.

The Group may be subject to privacy or data protection failures, cyber-theft or other forms of fraudulent activity, and its confidential information may be wrongfully appropriated, lost or improperly disclosed, stolen or processed in breach of data protection regulation.

The Group is subject to regulation regarding the use of personal data. The Group processes large amounts of personal customer data (including name, address and bank details) as part of its business and therefore must comply with strict data protection and privacy laws, including the General Data Protection Regulation (EU) 2016/679 (see further under "*The Group's business is subject to substantial and changing laws and regulations*" below). 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 technology, processes and procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers. Notwithstanding such efforts, the Group is exposed to the risk of a data breach in which such personal data is wrongfully appropriated, lost or improperly disclosed, stolen or processed in breach of data protection regulations. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group would be at risk of significant regulatory liability. 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, results of operations, financial condition and/or prospects.

The Group is also at risk of cyber-theft. Although the Group implements cyber-security measures in the form of technology, processes, communications and training as well as a detailed Cyber Incident Response plan, all of which are designed to mitigate this risk, such measures may not be successful in detecting or preventing all attempts to compromise its systems, including denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardise the security of information stored in and transmitted by the Group's systems or that the Group otherwise maintains.

Breaches of the Group's cyber-security measures could result in any of the following: unauthorised access to the Group's systems; unauthorised access to and misappropriation of information or data, including confidential or proprietary information about the Group, third parties with whom the Group does business or its customers or the Group's proprietary systems; viruses, worms, spyware or other malware being placed in the Group's systems; deletion or modification of intermediary or customer information; or denial-of-service or other interruptions to the Group's business operations. Because techniques used to obtain unauthorised access to or sabotage systems change frequently and may not be known until launched against the Group or its third party service providers, the Group may be unable to anticipate these attacks or to implement adequate preventative measures.

While the Group has not suffered any material breach of its cyber-security any actual or perceived breach could damage the Group's reputation, expose it to a risk of loss, fine or litigation and possible liability, require the Group to expend significant capital and other resources to alleviate problems caused by such breaches and otherwise have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's accounting policies and methodologies are important to ensure accurate reporting, and they require management to make estimates about matters that are uncertain.

Accounting policies and methodologies are fundamental to how the Group records and reports its financial condition and results of operations, and management must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with International Financial Reporting Standards ("**IFRS**").

The Group has identified certain accounting policies in the notes to the financial statements in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. A number of these judgements are also identified in note 1 to the Group's historical financial information incorporated herein by reference. Such judgements and associated assumptions and estimates are based on historical experience and various other factors that are considered by management under the circumstances at the time, and may prove to be incorrect, which could lead to inaccuracies in the reported financial position and performance of the Group that could be material.

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

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

The Group's insurance policies do not cover all types of potential losses and liabilities and are subject to limits and excesses. There can be no assurance that the Group's insurance will be sufficient to cover the full extent of all losses or liabilities for which it is ultimately responsible and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all.

The Group is subject to risks associated with its exposure to a number of large value loans.

As at 31 December 2019, the Group had 143 loans with exposures at default of greater than £5.0 million and an aggregate exposure at default of £1,586 million and an outstanding balance of £1,439 million representing 21.2 per cent. of the Group's overall loan book at that date. While all of these large loans have significant asset backing and in the majority of cases very granular and diversified pools of collateral, the default of any of these loans could have a material adverse effect on the Group's profitability.

The Group may not realise its anticipated benefits from past and future corporate acquisitions and may be exposed to liabilities within any businesses, including asset portfolios, acquired by the Group.

The Group continues to consider opportunities for strategic acquisitions. The success of acquisitions depends on, among other things, the Group's ability to integrate the businesses of the acquired companies in a manner that permits growth without materially disrupting customer relationships or diverting management's attention. If the Group is not able to achieve these objectives, the anticipated benefits of acquisitions may take longer to realise than expected or may not be realised fully or at all. Additionally, if the integration efforts following the Group's acquisitions are not successfully managed, including the occurrence or assumption of unknown or unanticipated liabilities or contingencies with respect to, among other things, customers, employees, suppliers, government authorities or other third parties, such acquisitions could result in loan losses, liabilities, loss of key employees, a loss of focus on business strategy, disruption of the Group's on-going business and management attention or inconsistencies in standards, controls, procedures and policies which could negatively impact the Group's ability to maintain relationships with customers and employees or to achieve the anticipated benefits of acquisitions. The Group may also be exposed to liabilities within any businesses, including any asset portfolios, which the Group may acquire. Any of these results could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Issuer's shareholder exercises significant influence over the Group, its management and its operations.

The Issuer is wholly-owned by Marlin Bidco Limited ("**Marlin**"), a company owned jointly by funds managed and/or advised by Pollen Street Capital Limited and funds advised by BC Partners LLP. Marlin will, through the votes it will be able to exercise at general meetings of the Issuer and through the implementation of the Framework Agreement entered into between the Issuer and Marlin, be able to exercise a significant degree of influence over the Issuer's operations and over its shareholders' meetings, such as in relation to the declaration of dividends, the appointment and removal of Directors, the approval of significant transactions entered into by the Issuer and changes in the Issuer's capital structure. This concentration of ownership and voting power may delay, defer or even prevent an acquisition by a third party or other change of control of the Group and may make some transactions more difficult or impossible without the support of Marlin, even if such event" are in the best interests of other stakeholders. See "*Description of the Group's Business - Relationship with Marlin*" for further information.

RISKS RELATING TO THE LEGAL AND REGULATORY ENVIRONMENT IN WHICH THE GROUP OPERATES

The Group's business is subject to substantial and changing laws and regulation.

In addition to the substantial and changing prudential regulation framework described below under the risk factor entitled "*The Group's business is subject to substantial and changing prudential regulation*", and the substantial and changing conduct regulation framework also described below under the risk factor entitled "*The Group is exposed to risks relating to substantial and changing conduct regulations*", the Group is subject to authorisation and regulation by governmental and regulatory bodies in the UK. Any material failure to comply with applicable laws, regulations, rules and other guidance could result in investigations or enforcement actions that may lead to fines or suspension or termination of the Group's authorisations. In addition, such failure to comply, revocation of a licence or any actions by the Group may damage the reputation of, 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 results of operations, financial condition and/or prospects.

Further, the Group faces risks associated with an uncertain and changing legal and regulatory environment. Existing laws and regulations may be amended, or new laws and regulations may be introduced, which could affect the Group by:

- 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;
- restricting the products or services which the Group can provide; or
- restricting the way intermediaries are rewarded.

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

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 or undertake additional work to ensure compliance, at increased cost. High levels of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians may continue 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.

Part of the Group's business is subject to the requirements of the CCA and other consumer protection legislation and regulation, including, among others, the Consumer Rights Act 2015, that relate to the terms of consumer contracts, which often contain very detailed and highly technical requirements. The Group continues to commission external reviews of its compliance with the requirements of the CCA and associated regulations. The Group has identified some areas of potential non-compliance with the CCA, although these are not considered to be material. While the Group considers that no material present obligation in relation to non-compliance with the CCA and other consumer regulations is likely, there is a risk that the eventual outcome may differ.

Examples of recent or proposed legislative and regulatory changes and regulatory areas of focus can be seen in the "Supervision and Regulation" section below.

Further to the above, a significant proportion of current and anticipated English law and regulations currently derive from, or are designed to operate in concert with, EU law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. Significant changes to English law and regulation in areas relevant to the Group may occur as a result of Brexit and following the end of the Brexit Transition Period, depending on, among other things, the timing and terms of any future agreement concluded between the UK and the EU. The Group cannot predict what any such changes will be and this inability to predict future developments accurately may increase uncertainty and compliance costs for the Group.

Failure to comply with the wide range of laws and regulations which apply to, or may apply at some point in the future to, the Group could have a number of adverse consequences for the Issuer, 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/claimants) in the UK and other jurisdictions (which may arise out of regulatory investigations and enforcement actions);

- criminal enforcement proceedings; and/or

- 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, results of operations, financial condition and/or prospects.

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

In addition to the above, failure to comply with the wide range of laws and regulations could result in the FCA and/or PRA cancelling or restricting the Group's regulatory authorisations altogether, thereby preventing it from carrying on its business.

The Group's business is subject to substantial and changing prudential regulation.

The Group is subject to capital adequacy requirements adopted by the PRA and implementing European or global standards. The Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. Effective management of the Group's capital is critical to its ability to operate its business and to pursue its strategy. The directors of the Issuer set the internal target amount of capital for the Group by taking account of their own assessment of the risk profile of the business, market expectations and regulatory requirements. If regulatory requirements as to capital levels increase, driven by, for example, new regulatory measures or views that the PRA may have as to the amount of capital the Group should retain, the Group may be required to increase its capital resources. The Group may in the future be required to increase capital resources following regulatory review, although the Issuer expects the substance and outcome of any such regulatory review will remain confidential. The Group may also need to increase its capital resources in response to changing market conditions or expectations. If the Group is unable to increase its capital, it may no longer comply with regulatory requirements or satisfy market expectations related to its capital strength and, as a result, its business, results of operations, financial condition and/or prospects could suffer a material adverse effect. Any change that limits the Group's ability to effectively manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in risk-weighted assets ("**RWAs**"), delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of adverse market conditions or otherwise) could affect the Group's liquidity and have a material adverse effect on its business, operations, financial condition and/or prospects. In addition, if the Group fails to meet its minimum regulatory capital requirements, this could result in regulatory or administrative actions or sanctions against it.

The Group's borrowing costs and capital requirements could be adversely affected by prudential regulatory developments, which include: (i) the legislative package implementing the proposals (known as "**Basel 3**") of the Basel Committee on Banking Supervision (the "**BCBS**"), as updated up to the final reform pack issued in December 2017, in the European Union and amending and supplementing the existing Directive 2013/36/EU ("**CRD IV**"); (ii) further Basel 3 reforms as set out in Regulation (EU) No. 2019/876 ("**CRR II**"), amending Regulation (EU) No 575/2013 ("**CRR**") and Directive (EU) 2019/878, amending CRD IV, which were published in June 2019; (iii) regulatory developments impacting capital, leverage, liquidity positions (including the imposition of the liquidity coverage ratio and the net stable funding ratio) and its legal entity structure (including with regard to issuance and deployment of capital and funding for the Group), and (iv) Directive 2014/59/EU ("**BRRD**"). The BRRD is discussed further in the risk factor entitled "*The Group's business is subject to the potential impact of UK and European banking reform initiatives*" below. Any future unfavourable regulatory developments could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

CRD IV introduced significant changes in the capital adequacy regime applicable to banks, including: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the introduction of a minimum leverage ratio. The Group's capital position under CRD IV satisfied, as at 31 December 2018 and 31 December 2019, its minimum regulatory requirements. As at 31 December 2019, the Group's common equity tier 1 (("**CET1**") ratio was 12.0 per cent. (31 December 2018: 12.3 per cent.) and its total capital ratio was 16.4 per cent. (31 December 2018: 17.0 per cent.).

As referred to above, the Basel 3 reforms to the CRR and CRD IV (referred to collectively as "**CRD V**") set out a new approach for the measurement of counterparty credit risk, the implementation of a binding Net Stable Funding Ratio (as defined below), the framework for interest rate risk, and the treatment of trading book exposures, in addition to other amendments relating to capital and liquidity, remuneration and the EU's recovery and resolution framework.

CRD V entered into force on 27 June 2019. The majority of the amendments to CRD IV must be transposed into national law by 28 December 2020, and will apply immediately thereafter. The amendments to CRR will, however, apply from 28 June 2021 (subject to certain earlier applications and exemptions, including, among others, those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments which are already in effect). It is unclear whether (and if so, how) the UK Government will incorporate into UK law any provisions of CRD V that come into effect, or whether the UK Government will make provision for binding technical standards to be made by EU institutions in connection with CRD V after the end of the Brexit Transition Period. It is, therefore, not possible to say with certainty how CRD V may affect the Group.

On the basis that the majority of CRD V is yet to come into effect or be transposed into UK law (as applicable), the ultimate impact on the Group is currently uncertain. This is particularly pertinent as a result of Brexit. While EUWA will, in accordance with its terms, "onshore" most EU law as it stands at the end of the Brexit Transition Period (i.e. 31 December 2020, subject to any extension which may or may not be agreed between the UK and the EU) into UK law and preserve the laws made in the UK to implement EU obligations, the future relationship of the UK and EU remains unclear. As a result, although the EUWA should ensure the effects of CRD IV and the CRR (as amended or superseded by CRD V) apply to the Group post-Brexit, there is no guarantee as regards the rest of CRD V. Additionally, the Financial Services (Implementation of Legislation) Bill, which would, subject to the detailed provisions set out in the Bill, have enabled HM Treasury to make corresponding or similar provisions in UK law to upcoming EU financial services legislation in the event that the UK and the European Union do not agree a deal at the end of the Brexit Transition Period, failed to complete its passage through the UK's Parliament before the end of the last parliamentary session, and has, therefore, not become law. However, in the 2020 Budget on 11 March 2020, the Chancellor of the Exchequer announced that, among other things, the UK Government would introduce a Financial Services Bill in the 2019-2020 session of Parliament, which would enable the implementation of the remaining Basel 3 reforms. Nonetheless, while CRD V could materially increase the Group's cost of doing business, it is not possible to be certain as to the extent to which this may be the case.

Additionally, the final set of Basel 3 reforms, which include, among other things, reforms relating to the standardised and internal ratings-based approaches for credit risk and a revised output floor, have not yet been implemented either. Most of the provisions of these final reforms – sometimes referred to by the industry as the Basel 3.1 reforms – were not expected to be implemented until 1 January 2022 (subject to certain exceptions). However, in response to the impact of Covid-19 on the global banking system, the BCBS announced on 27 March 2020 the deferment of the implementation date for the Basel 3.1 reforms until 1 January 2023. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's capital leverage, liquidity and funding ratios or alter the way such ratios are calculated.

In December 2017, the BCBS published the final version of the measures it is taking to improve consistency and comparability in bank capital ratios, and thereby to restore confidence in risk-weighted capital ratios. These measures include: revising the standardised (non-modelled) approaches for calculating regulatory capital ratios that will also provide the basis for a capital floor; and reducing the modelling choices in the capital framework when determining RWAs. The measures form part of the BCBS's broader work on reducing variability in RWAs and aim to reduce reliance on external credit ratings; increase risk sensitivity; reduce national discretions; strengthen the link between the standardised approach and the "Internal Ratings Based" ("**IRB**") approach; clarify the role of internal models (and thereby mitigate model risk from banks' internal model approaches); enhance comparability of capital requirements across banks; and, overall, ensure the standardised approach continues to be suitable for calculating the capital requirements for credit risk exposures in order to ensure a minimum level of capital across the banking system.

The main implementation date given by the BCBS for these reforms is 2022. At the date of these Listing Particulars, the finalised standards are still required to be transposed into EU and UK law and so it is not possible to say with definitive certainty what impact the changes will have, if any, on the Group capital requirements, capital structure, business, financial condition and results of operations. The initial consultative publications were supported by quantitative impact studies which showed that if the proposals were implemented without any mitigation action, as would be expected to be the case for other banks, it would significantly increase the Group's RWAs and subsequent capital held. The publication issued in December 2017 has incorporated several factors that will alter the outcome should a further quantitative impact study be completed and the increasing certainty around the requirements enables market participants, including the Group, to introduce mitigating actions to offset areas where the calculation of RWAs may see an increase.

Certain of these changes, including the altered approach to risk weighting, may have a material effect on the Group's calculation of capital. It is currently uncertain what form the final rules will take and in any event there is no assurance that the final form will not have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Any perceived or actual shortage of capital held by the Group could result in actions by regulatory authorities, including public censure and the imposition of sanctions. Any of these outcomes may also affect the Group's capacity to continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to any such shortage, the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings.

The Group may also experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section "*Risk Factors*".

The Group's business is subject to the potential impact of UK and EU banking reform initiatives.

In recent years, the relevant regulatory authorities in the UK and the EU have proposed significant reforms to many aspects of the banking sector, including, among others, institutional structure, resolution procedures and deposit guarantees. While the full impact of these regulatory developments remains uncertain, the directors expect that the evolution of these and future initiatives will have an impact on the Group's business.

The BRRD provides a UK and EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies. The BRRD is discussed further in the risk factor entitled "The Group's business is subject to the potential impact of UK and European banking reform initiatives" below.

The UK has implemented the BRRD framework largely though the Banking Act 2009 (as amended, the "**Banking Act**"). Under the Banking Act, substantial powers are conferred on the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and (where applicable) HM Treasury, as appropriate as part of a special resolution regime (the "**SRR**"). These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or investment firm and certain of its affiliates that meet the definition of a "banking group company" (each a "relevant entity") in circumstances in which the relevant UK resolution authority is satisfied that resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the threshold conditions defined in section 55B of the Financial Services and Markets Act 2000 ("**FSMA**"). The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of any Notes.

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity; (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool (as described below); and (e) temporary public ownership (nationalisation). The SRR also includes a requirement for the UK resolution authority to write-down and convert capital instruments if the conditions to resolution are met, which may be implemented independently of, or in combination with, the exercise of a resolution tool (other than the bail-in tool, which would be used instead of the capital instruments write-down and conversion power). The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

The Banking Act also provides for two insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Notes), powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant UK resolution authority to dis-apply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

Although the Banking Act provides specific conditions to the exercise of any resolution powers and, furthermore, European Banking Authority (the "**EBA**") guidelines published in August 2015 set out the objective elements for the resolution authorities to apply in determining whether an institution is failing or likely to fail, it is uncertain how the relevant UK resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and/or other members of the Group and in deciding whether to exercise a resolution power. The relevant UK resolution authority is also not required to provide any advance notice to holders of the Notes of its decision to exercise any resolution power. Therefore, holders of the Notes may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer, the Group and the Notes.

A holder of the Notes should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort after the relevant UK resolution authorities have assessed and exploited, to the maximum extent practicable, the resolution tools, including the write-down and conversion of capital instruments power.

The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of any Notes and could lead to the Noteholders losing some or all of the value of their investment in the Notes. The SRR is designed to be triggered prior to insolvency of the Issuer, and holders of the Notes may not be able to anticipate the exercise of any resolution power by the relevant UK resolution authority.

The Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"), which has been in force since 1 January 2019, introduced, by way of amendments to FSMA, among other things: (i) powers for the PRA and HM Treasury to implement further detailed rules to give effect to the recommendations of the Independent Commission on Banking (the "ICB") on ring-fencing requirements for the banking sector (which do not currently apply to the Group); (ii) powers for the PRA and the FCA to require non-regulated qualifying parent undertakings of regulated entities to take actions to facilitate resolution; (iii) a "Senior Managers Regime", a "Certification Regime" and a "Banking Standards Rule" to improve competition in the banking sector; and (vi) a new criminal offence of taking or failing to prevent a decision causing a financial institution to fail. The Banking Reform Act also introduced preferential ranking of deposits which are eligible for protection under the FSCS on a winding up to rank ahead of all other unsecured creditors.

Noteholders may have only very limited rights to challenge the exercise of any resolution powers by the relevant UK resolution authority

Noteholders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

The relevant UK resolution authority may exercise its resolution powers in respect of the Issuer and the Notes, which may result in holders of the Notes losing some or all of their investment.

Where the relevant statutory conditions for use of resolution powers have been met, the relevant UK resolution authority would be expected to exercise these powers without the consent of the Noteholders. Any exercise of resolution powers in respect of the Issuer and the Notes may result in the cancellation of all, or a portion, of the principal amount of: interest on, or any other amounts payable on, the Notes and/or the conversion of the Notes into shares or other securities or other obligations of the Issuer or another person, or any other modification or variation to the terms of the Notes.

The exercise of any resolution powers in respect of the Issuer and the Notes or any suggestion of any such exercise could materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to Noteholders losing some or all of the value of their investment in such Notes.

Mandatory write-down and conversion of capital instruments may affect the Notes

In addition, the Banking Act requires the relevant UK resolution authority to permanently write-down, or convert into equity, tier 1 capital instruments and tier 2 capital instruments (such as the Notes) at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except where the bail-in tool is to be utilised for other liabilities, in which case such instruments would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to capital instruments).

Noteholders may be subject to write-down or conversion into equity on application of such powers (without requiring the Noteholders' consent), which may result in the Noteholders losing some or all of their investment. Moreover, in this regard, tier 2 capital instruments (such as the Notes) rank third in the sequence of securities subject to loss absorption, after CET1 and additional tier 1 instruments. As such, this may increase any risk of the Noteholders' holdings becoming subject to write down or conversion action. The ‘no creditor worse off' safeguard would not apply in relation to an application of such powers in circumstances where resolution powers - such as the private sector transfer tool or the temporary public ownership tool - are not also exercised.

The exercise of such mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Minimum requirement for own funds and eligible liabilities and total loss absorbing capacity

To support the effectiveness of bail-in and other resolution tools, the BRRD requires that all relevant institutions must meet a minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL is intended to ensure that firms have capacity to absorb losses, and therefore reducing the likelihood of any need for public sector recapitalisation requirement calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities".

In December 2015, the Bank of England published a consultation paper entitled "*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) - Consultation on a proposed Statement of Policy*". The consultation paper set out the Bank of England's proposed policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) of the Banking Act.

In November 2016, the Bank of England published a statement of policy for exercising its powers to direct UK banks and investment firms to maintain MREL under section 3A(4) of the Banking Act ("*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) - Responses to Consultation and Statement of Policy*"). In June 2018, the Bank of England published an update to this statement of policy (the “**Final MREL Policy**”). Pursuant to the Final MREL Policy, the Bank of England intends to set MREL for individual institutions by reference to three broad resolution strategies: (i) 'modified insolvency process' under Part 2 of the Banking Act 2009 - for those institutions which the Bank of England considers do not provide services of a scale considered critical and for which it is considered that a pay-out by the FSCS of covered depositors would meet the Bank of England's resolution objectives; (ii) 'partial transfer' - for those institutions which the Bank of England considers to be too large for a modified insolvency process but where there is a realistic prospect that critical parts of the business could be transferred to a purchaser; and (iii) 'bail-in' for the largest and most complex institutions, which will be required to maintain sufficient MREL resources to absorb losses and, in the event of their failure, be recapitalised so that they continue to meet the PRA's conditions for authorisation and the institution (or its successor) is able to operate without public support. Furthermore, the Final MREL Policy also specified indicative thresholds which it would use to determine which resolution strategy would apply to individual institutions: institutions with fewer than 40,000 to 80,000 'transactional accounts' (i.e. those with at least nine withdrawals over the previous three months) would likely be subject to the modified insolvency process; institutions which, among other things, have more than 40,000 to 80,000 transactional accounts but have a sufficiently simple asset/liability structure so as to make rapidly separating and transferring critical functions feasible using the Bank of England’s statutory powers would likely be subject to a partial transfer strategy; and institutions with assets exceeding £25 billion would likely be subject to a bail-in strategy, although in regards to institutions with assets exceeding £15 billion, the Bank of England will also consider whether the bail-in strategy is appropriate.

The Bank of England has published actual requirements for 2019 and indicative requirements for 2020-21 and 2022 for total capital requirements, MREL and loss-absorbing capacity requirements for the UK’s systemically important banks and building societies, as well as average MREL requirements and loss-absorbing capacity requirements for certain other non-systemically important UK banks and building societies which are within the scope of stabilisation powers. As regards banks that are not systemically important, the indicative MREL requirement and loss-absorbing capacity requirement for 2020-21 are 18.6 per cent. of RWAs, and 22.1 per cent. of RWAs, respectively, and for 2022 are 23.4 per cent. of RWAs and 26.9 per cent. of RWAs, respectively. From 2020 onwards, the Bank of England intends to publish individual MREL requirements, rather than an average, for all firms with an indicative MREL above capital requirements.

The Bank of England requires all banks and building societies to meet an interim MREL requirement from 1 January 2020 and a final MREL requirement from 1 January 2022. The MREL requirements set for each bank and building society will depend on a number of factors, including (but not limited to) changes to the bank or building society and its balance sheet, the preferred resolution strategy applicable to the relevant bank or building society and any change in PRA or international policy that changes the way risk-weighted assets or the exposure measure of the leverage ratio is assessed.

As at the date of these Listing Particulars, the resolution strategy for the Issuer set by the Bank of England is the 'modified insolvency process' under Part 2 of the Banking Act 2009, and the Bank of England has directed the Issuer that it does not expect the Issuer to maintain an MREL requirement under its Final MREL Policy in excess of the minimum regulatory capital requirements (i.e. Pillar 1 and Pillar 2A, excluding buffers) to meet the overall financial adequacy rule in the Issuer’s Internal Capital Adequacy Assessment under the PRA Rulebook, unless the Issuer’s resolution strategy were to change.

If there was a change in the Issuer’s resolution strategy - for example, as a result of a change in the Bank of England's policy on MREL or a significant expansion of the Issuer’s operations - it is possible that the Issuer may have to issue MREL "eligible liabilities" in order to meet the new requirements within the required timeframes and/or alter the quantity and type of internal capital and funding arrangements within the Group. During periods of market dislocation, or when there is significant competition for the type of funding that the Issuer may need, a requirement to increase the Issuer’s MREL "eligible liabilities" may prove more difficult and/or costly. The effects of these proposals could therefore have a material adverse effect on the Issuer’s business, results of operations, financial condition and/or prospects.

The Financial Services Compensation Scheme imposes significant levies on the Group which may increase in future periods.

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

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

Directive 2014/49/EU (the "**DGSD**") was published in the Official Journal of the EU on 12 June 2014 and EU Member States were required to transpose the majority of the DGSD into national law by 3 July 2015. This updated the original deposit guarantee scheme directive and changes focused on restricting the definition of "deposit" (but expand the definition of "eligible deposits" which, notably, no longer excludes the deposits of 'large companies' from protection), reducing time limits for payments of verified claims by depositors, requiring banks to provide information on the aggregated deposits of a depositor, making provisions on how deposit guarantee schemes should be funded (including mandatory part pre-funding of deposit guarantee schemes) and introducing insolvency preference for certain deposits (as well as £1 million protection limit for certain temporary high balances). In the UK, implementations required revisions to the legislation and regulation relating to the FSCS which, among other things, affected the methodology employed by the FSCS for determining levies on institutions. While the methodology includes maximum amounts and provides for the maximum aggregate levy to only be imposed on firms once in each financial year, there is the ability for the FSCS to impose higher levies and/or impose interim levies at any time. Such imposition could have a material effect on the Issuer’s business, results of operations, financial condition and/or prospects. The Issuer is subject to certain PRA requirements in relation to making IT systems compatible with the FSCS and the requirement to ensure accuracy of certain data, which may impact on expenditure.

The Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes.

The Group's activities are subject to a range of UK taxes at various rates. Future actions by the UK Government (or relevant European bodies) to increase tax rates or to impose additional taxes would reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's business, results of operations, financial condition and/or prospects.

Although certain tax positions taken by the Group are based on customary industry practice, independent tax advice, tax authority guidance and application of the Group's facts and circumstances to those present in certain case law, it is possible that the tax authorities will not agree with the positions taken by the Group. In addition, the Group is subject to periodic tax audits which could result in additional tax assessments relating to the past. Any such assessments could be material and could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Any failure to comply with anti-money laundering and anti-bribery regulations could have a material adverse effect on the Group.

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group and its employees and business partners (e.g. brokers and other intermediaries, professional introducers, home improvement suppliers and retailers) from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the Bribery Act. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. The Issuer cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Group believes that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Group’s employees, for which the Group might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is exposed to risks relating to changes in the wider regulatory environment for its customers.

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

2. Risks Related to the Notes

The Notes are obligations of the Issuer only

None of the Notes will be obligations of, nor will they be guaranteed or secured by Shawbrook Bank Limited or any other party. Furthermore, the Notes are direct obligations of the Issuer and no person other than the Issuer has any liability to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The obligations of the Issuer in respect of the Notes are subordinated and unsecured.

The Notes constitute unsecured and subordinated obligations of the Issuer, and investors are required to waive any set-off rights they may otherwise have against the Issuer with respect to their investment in the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up or enter into administration or resolution, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up or enters into administration or resolution.

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

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

Although the Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should the Issuer become insolvent.

All of the Issuer's liabilities outstanding at the date of these Listing Particulars, other than the Issuer's £125 million additional tier 1 securities (which rank junior to the Notes) and the Issuer's £20 million tier 2 securities (which rank *pari passu* with the Notes), rank senior to the Notes. Accordingly, in a Winding-up of the Issuer, all claims against the Issuer other than the claims in respect of such additional tier 1 and tier 2 securities and the ordinary shares of the Issuer will be senior to the claims in respect of the Notes.

Noteholders are also subject to the provisions of the Banking Act relating to, *inter alia*, the write down of capital instruments and the bail-in of liabilities as described under "*Mandatory write-down and conversion of capital instruments may affect the Notes*." The use of bail-in or capital write-down powers under the Banking Act is generally required to respect the creditor hierarchy in insolvency, and accordingly it may be expected that the full amount of the Notes, as subordinated instruments, would be written off or converted to ordinary shares before any losses are imposed on more senior-ranking creditors of the Issuer.

The remedies available to Noteholders under the Notes are limited.

Noteholders may not at any time demand repayment or redemption of their Notes prior to maturity. In a Winding-Up of the Issuer, the Noteholders will have a claim for an amount equal to the principal amount of the Notes plus any accrued and unpaid interest, but that claim will be subordinated as provided above.

The sole remedy in the event of any non-payment of principal or interest under the Notes is that the Trustee on behalf of the Noteholders may, at its discretion, or shall, subject to certain conditions as described in Condition 8.3, at the direction of the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes subject to applicable laws, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Notes in any winding-up of other insolvency proceedings in respect of such non-payment.

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

There is no limit on the amount or type of further bonds or indebtedness that the Issuer may issue, incur or guarantee.

There is no restriction on the amount of bonds or other liabilities that the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such Notes or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders during a winding-up or administration or resolution of the Issuer and may limit the Issuer's ability to meet its obligations under the Notes. The Issuer may also issue, in the future, subordinated liabilities which rank senior to the Notes.

The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of any Notes.

Under the Banking Act, substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "**Authorities**") as part of SRR, as described under "*The Group's business is subject to the potential impact of UK and EU banking reform initiatives*". As described in that risk factor, the stabilisation options which may be commenced by the Authorities include, among others, a bail-in tool which permits the Bank of England to: (a) cancel, modify or convert the form of a liability owed by, amongst others, a relevant entity or provide that a contract under which, amongst others, a relevant entity has a liability is to have effect as if a specified right had been exercised under it; or (b) transfer securities issued by, amongst others, a relevant entity to a bail-in administrator.

The Authorities also have wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances Other relevant powers of the Authorities under the Banking Act include extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) under the SRR subject to certain protections in respect of the Issuer. Exercise of these powers could involve taking various actions in relation to any Notes issued by the Issuer (including the Notes) without the consent of the Noteholders, including (among other things):

- transferring the Notes out of the hands of the holders;
- delisting the Notes;
- writing down (which may be nil) the Notes or converting the Notes into another form or class of securities; and/or
- modifying or disapplying certain terms of the Notes.

The taking of any action under the Banking Act could adversely affect Noteholders.

In particular, the taking of any such actions could materially adversely affect the rights of Noteholders, and such actions (or the perception that the taking of such actions may be imminent) could materially adversely affect the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In such circumstances, Noteholders 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 Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

Mandatory write-down and conversion of capital instruments may affect the Notes,

In addition, the Banking Act requires that the Bank of England permanently write-down, or convert into equity, Tier 1 capital instruments and Tier 2 capital instruments (such as the Notes) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments are written-down or converted or the relevant entity requires extraordinary public support without which, the relevant UK resolution authority determines that, the relevant entity would no longer be viable.

Noteholders may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Noteholders), which may result in such Noteholders losing some or all of their investment. The "no creditor worse off" safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of holders of Notes, and such exercise (or the perception that such exercise may be imminent) could material adversely affect the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

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

As at the date of these Listing Particulars, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order or instrument if made.

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

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

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

Noteholders may not require the redemption of the Notes prior to their maturity.

The Notes mature on 10 October 2030. The Issuer is under no obligation to redeem the Notes at any time prior thereto and the Noteholders have no right to require the Issuer to redeem or purchase any Notes at any time. Any redemption of the Notes and any purchase of any Notes by the Issuer will be subject always to the prior approval of the Competent Authority and to compliance with prevailing Regulatory Capital Requirements, and the Noteholders may not be able to sell their Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

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

Subject to the prior approval of the Competent Authority and to compliance with prevailing Regulatory Capital Requirements, the Issuer may, at its option, elect to redeem all, but not some only, of the Notes at any time during the period commencing on (and including) 10 July 2025 and ending on (and including) the Reset Date or, following the occurrence of a Tax Event or a Capital Disqualification Event, at any time, in each case at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption.

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

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

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect to redeem the Notes, and if so whether or not the Issuer will satisfy the conditions, or elect, to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes referred to in the paragraph above in the period from (and including) 10 July 2025 up to (and including) the Reset Date if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If the Notes are so redeemed, there can be no assurance that Noteholders 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 Notes.

The Notes bear interest at a fixed rate which will be reset on the Reset Date, which may affect the market value of the Notes.

The Notes will initially accrue interest at a fixed rate of interest to, but excluding, the Reset Date and such fixed rate will be reset from, and including, the Reset Date (as described in Condition 5). An investment in securities which bear a fixed rate of interest involves the risk that if market interest rates subsequently increase above the rate paid on such securities, this can be expected to adversely affect the value of the securities. In addition, the reset rate of interest on the Notes could be less than the initial rate of interest, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

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

At any time, the Trustee may (subject to the approval of the Competent Authority) agree to the substitution in place of the Issuer as the principal debtor under the Notes of certain entities, in each case subject to the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Noteholders and to certain other conditions set out in the Trust Deed being complied with.

The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Noteholders in certain circumstances, subject to certain restrictions.

In the event of certain specified events relating to taxation or following the occurrence of a Capital Disqualification Event, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities, without the consent of the Noteholders.

Qualifying Tier 2 Securities must have terms not materially less favourable to holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank or financial adviser of international standing. However, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Tier 2 Securities will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Tier 2 Securities are not materially less favourable to holders than the terms of the Notes.

Limitation on gross-up obligation under the Notes

The Issuer's obligation, if any, to pay Additional Amounts in respect of any withholding or deduction in respect of taxes imposed in a Relevant Jurisdiction under the terms of the Notes applies only to payments of interest and not to payments of principal.

As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders would receive less than the full amount that would otherwise be due to them under the Notes, and the market value of the Notes may be adversely affected as a result.

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

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

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

Integral multiples of less than £100,000.

The denomination of the Notes will be £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the clearing systems in amounts in excess of £100,000 that are not integral multiples of £100,000. Should Certificates be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than £100,000. Accordingly, any Noteholder who holds an amount which is less than £100,000 in principal amount of the Notes in his account with the relevant clearing system at the relevant time may not receive a Certificate (should Certificates be printed) in respect of such holding. Such a Noteholder would need to purchase a principal amount of Notes such that its holding amounts to £100,000 in order to receive a Certificate.

If Certificates are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Meetings of Noteholders and modification.

The Conditions of the Notes will contain provisions for calling meetings of Noteholders to consider and resolve upon matters affecting their interests generally, which may include modifications to, or abrogation of, their rights. Resolutions may also be passed by Noteholders signing written resolutions or giving electronic consents through the clearing systems. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, who did not sign the relevant written resolution or provide electronic consents, as well as Noteholders who voted in a manner contrary to the majority.

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

Change of law.

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

Legality of purchase.

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

Foreign Account Tax Compliance Act Withholding.

Certain provisions of U.S. law, commonly known as "FATCA", impose a reporting regime and, potentially, a 30 per cent. withholding tax with respect to, among other things, "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this reporting regime and payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, if FATCA withholding were relevant with respect to payments on the Notes, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

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

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

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

Risks Related to the Market Generally

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

The secondary market generally.

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

If a market for the Notes does develop, the trading price of the Notes 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 Notes. Publicly traded bonds from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. For example, there has been significant market volatility recently as a result of several factors, including Brexit, Covid-19 and oil price movements. If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes in full, or of the Notes being subject to loss absorption under an applicable statutory loss absorption regime. In addition, the market price of the Notes may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control.

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

The issue price of the Notes 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 Notes at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

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

In addition, Noteholders should be aware of the prevailing credit market conditions (which continue at the date of these Listing Particulars), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes 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 Notes and instruments similar to the Notes at that time.

Although applications have been made for the Notes to be admitted to trading on the Global Exchange Market of Euronext Dublin, there is no assurance that such application will be accepted or that an active trading market will develop.

Exchange rate risks and exchange controls.

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

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

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the £75,000,000 9 per cent. Fixed Rate Reset Callable Subordinated Notes due 2030 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 15) of Shawbrook Group plc (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 19 March 2020 and a resolution of a committee of the Board of Directors of the Issuer passed on 19 June 2020. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 10 July 2020 between the Issuer and Deutsche Trustee Company Limited (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of the Trust Deed and of the agency agreement (the "**Agency Agreement**") dated 10 July 2020 relating to the Notes between the Issuer, Deutsche Bank AG, London Branch as the initial principal paying agent (the person for the time being the principal paying agent, the "**Principal Paying Agent**" and, together with any additional paying agents appointed from time to time, the "**Paying Agents**") and agent bank (the person for the time being the agent bank, the "**Agent Bank**"), Deutsche Bank AG, London Branch as the initial registrar (the person for the time being the registrar, the "**Registrar**"), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s), the "**Transfer Agent(s)**"), and the Trustee, are available for inspection upon reasonable notice during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents. Each Holder (as defined below) is entitled to the benefit of, is bound by, and is deemed to have notice of, all the provisions of the Trust Deed and is deemed to have notice of those provisions applicable to it of the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

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

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Notes by the same Holder.

1.2 Title

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

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

2. TRANSFERS OF NOTES

2.1 Transfer

A holding of Notes may, subject to Condition 2.4, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

2.2 Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and 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 or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.2, "**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).

2.3 Transfer Free of Charge

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

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any redemption or substitution thereof pursuant to Condition 6 or (ii) during the period of seven days ending on (and including) any Record Date.

3. STATUS

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

4. SUBORDINATION

4.1 Winding-Up

If a Winding-Up occurs, the rights and claims of the Holders (or the Trustee on their behalf, as further provided in Condition 8) against the Issuer in respect of, or arising under, each Note shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect thereof, provided however that such rights and claims shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors but shall rank:

(a) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital (including, without limitation and for so long as any of the same remain outstanding, the Issuer's £75,000,000 8.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2025 (ISIN: XS1303933573) and its £20,000,000 6.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2029 (ISIN: XS2058891917); and

(b) in priority to the claims of holders of (i) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including, without limitation and for so long as any of the same remain outstanding, the Issuer's £125,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (ISIN: XS1731676794)) and all obligations which rank, or are expressed to rank, *pari passu* therewith; (ii) all other obligations of the Issuer which rank, or are expressed to rank, junior to claims in respect of the Notes; and (iii) all classes of share capital of the Issuer.

4.2 Set-off

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

4.3 Trustee's costs

Nothing in this Condition 3 shall affect or prejudice the payment of the costs (including legal fees), charges, expenses, liabilities or remuneration of the Trustee or the rights, indemnities and remedies of the Trustee in respect thereof.

5. INTEREST PAYMENTS

5.1 Interest Rate

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

Interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments, with a short first Interest Period from (and including) the Issue Date to (but excluding) the first Interest Payment Date falling on 10 October 2020, all as provided in this Condition 5.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of (a) the number of days in the relevant period, from (and including) the date from which interest begins to accrue (the "**Accrual Date**") to (but excluding) the date on which it falls due, divided by (b) twice the actual number of days from (and including) the Accrual Date (or, if the relevant accrual period falls within the short first Interest Period, from and including 10 April 2020) to (but excluding) the next following Interest Payment Date.

5.2 Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6.1, 6.3, 6.4 or 6.5 or the date of substitution thereof pursuant to Condition 6.6, as the case may be, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as expressly provided in Condition 5.3, and as provided in Condition 5.1 in relation to equal instalments, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 5.1 for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of each Note is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the relevant Note.

5.3 Initial Fixed Interest Rate and Interest Amounts

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 9 per cent. per annum (the "**Initial Fixed Interest Rate**").

Accordingly, the amount of interest payable on the Interest Payment Date falling on 10 October 2020 will be £22.50 per Calculation Amount and the amount of interest payable on each subsequent Interest Payment Date up to (and including) the Reset Date will be £45.00 per Calculation Amount.

5.4 Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 5 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum of the Reset Reference Rate (expressed as a rate per annum) and the Margin.

5.5 Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on the Reset Determination Date, subject to receipt from the Issuer of the bid and offered price of the Benchmark Gilt as provided by the Reset Reference Banks (if any), determine the Reset Rate of Interest in respect of the Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of a manifest error) be final and binding upon all parties.

5.6 Publication of Reset Rate of Interest

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

If the Notes become due and payable pursuant to Condition 8.1, the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

5.7 Agent Bank

The Issuer will maintain an Agent Bank where the Reset Rate of Interest is to be calculated by reference to them. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of the Reset Period as provided in Condition 5.4, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

5.8 Determinations of Agent Bank Binding

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

6. REDEMPTION, SUBSTITUTION, VARIATION AND PURCHASE

6.1 Final Redemption

Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6.6) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 10 October 2030 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

6.2 Conditions to Redemption, Call, Repayment, Purchase, Substitution or Variation

Any redemption, call, repayment or purchase of the Notes or substitution or variation of the terms of the Notes, in each case in accordance with Conditions 6.3, 6.4, 6.5, 6.6 or 6.7, is subject to:

(a) the Issuer obtaining prior Supervisory Permission therefor;

(b) in the case of any redemption, call, repayment or purchase at any time, if and to the extent then required under prevailing Regulatory Capital Rules, the Issuer having demonstrated to the satisfaction of the Competent Authority that either: (A) the Issuer has (or before or at the same time as the relevant redemption or repurchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the own funds and eligible liabilities of the Issuer would, following such redemption, call, repayment or purchase, exceed its minimum requirements (including any applicable buffer requirements) by a margin that the Competent Authority considers necessary at such time; and

(c) in the case of any redemption, call, repayment or purchase prior to the fifth anniversary of the Reference Date, if and to the extent then required under prevailing Regulatory Capital Rules:

  (A) in the case of redemption upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date (and, if any Further Notes are issued, as at the issue date of such Further Notes);

  (B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date (and, if any Further Notes are issued, as at the issue date of such Further Notes);

  (C) in the case of a purchase pursuant to Condition 6.7, the Issuer having demonstrated to the satisfaction of the Competent Authority that the Issuer has (or before or at the same time as such purchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent 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

  (D) the Notes being purchased for market-making purposes in accordance with the prevailing Regulatory Capital Rules.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6.2, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6.3), the Issuer shall deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Securities comply with the definition thereof in Condition 19; and

(ii) in the case of a redemption pursuant to Condition 6.4 only, an opinion from a nationally recognised law firm or other tax adviser in the Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (a) to (d) (inclusive) of the definition of Tax Event applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it),

and the Trustee shall be entitled to treat and accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and, where applicable, opinion 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 Holders.

6.3 Issuer's Call Option

Subject to Condition 6.2, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes on any day falling in the period commencing on (and including) 10 July 2025 and ending on (and including) the Reset Date, at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

6.4 Redemption Due to Taxation

If, prior to the giving of the notice referred to in this Condition 6.4, a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

6.5 Redemption for Regulatory Purposes

If, prior to the giving of the notice referred to in this Condition 6.5, a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

6.6 Substitution or Variation

If a Tax Event or a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or variation, as the case may be, of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 6.6 and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 6.2 above and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation.

Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6.6, as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Qualifying Tier 2 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 Qualifying Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations or expose it to liabilities against which it is not indemnified and/or secured and/or prefunded to its satisfaction. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in, as appropriate, Condition 6.4 or 6.5.

In connection with any substitution or variation in accordance with this Condition 6.6, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

6.7 Purchases

The Issuer or any of its subsidiaries may, subject to Condition 6.2, at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer or any of its subsidiaries, shall not entitle the Holder to attend and vote at any meetings of the Noteholders or to participate in any Written Resolution or Electronic Consent (each as defined in the Trust Deed) and shall not be deemed to be outstanding for the purposes of, *inter alia*, calculating quorums at meetings of the Noteholders or for the purposes of Condition 8.

6.8 Cancellation

All Notes redeemed or substituted by the Issuer pursuant to this Condition 6 will forthwith be cancelled. All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Registrar. Notes so surrendered, shall be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

6.9 Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 6, it shall be entitled without liability to assume that no such event or circumstance exists.

7. PAYMENTS

7.1 Method of Payment

(a) Payments of principal and payments of interest due otherwise than on an Interest Payment Date shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Notes represented by such Certificates (or, in the case of part payment only, endorsement)) in like manner as provided for payments of interest in paragraph (b) below.

(b) Interest on each Note due on an Interest Payment Date shall be paid to the person shown in the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). If Notes are in definitive form, payments of interest on each Note shall be made, upon application by a Holder to the specified office of any Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account notified by the Holder to the Paying Agent, being a pounds sterling account maintained by the payee with a bank in London.

7.2 Payments Subject to Laws

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

7.3 Payments on Business Days

Payments will be made for value the due date or, if that date is not a Business Day, for value the first following day which is a Business Day (or, in the case of payments of principal or other amounts where the relevant Certificate is required to be, and has not been, surrendered at the specified office of any Paying Agent, on any subsequent Business Day on which the Paying Agent is open for business and on which the relevant Certificate is surrendered).

7.4 Delay in Payment

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

8. DEFAULT

8.1 Default

If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal) for a period of seven days or more or (in the case of any interest payment or any other amount in respect of the Notes) for a period of 14 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default (a "**Default**") under the Trust Deed and the Notes and the Trustee in its discretion may, or (subject to Condition 8.3) if so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding shall, notwithstanding the provisions of Condition 8.2, institute proceedings for the winding-up of the Issuer.

In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 8.3) if so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding shall, prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 4.1.

8.2 Enforcement

Without prejudice to Conditions 4.1 or 8.1, the Trustee may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes or any damages awarded for breach of any obligations in respect thereof) provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 8.2 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 4.1 and 8.1.

8.3 Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Conditions 8.1 or 8.2 above against the Issuer to enforce the terms of the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders 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 and/or prefunded to its satisfaction.

8.4 Right of Holders

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

8.5 Limited remedies

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

8.6 Trustee's rights

Nothing in this Condition 8 shall affect or prejudice the payment of the costs (including legal fees), charges, expenses, liabilities or remuneration of the Trustee or the rights, indemnities and remedies of the Trustee in respect thereof

9. TAXATION

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

(a) held by or on behalf of a Holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of having some connection with the Relevant Jurisdiction otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note; or

(b) held by or on behalf of a Holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(c) in respect of which the certificate representing such Note is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the last day of such period of 30 days; or

(d) to, or on behalf of, a Holder who would have been able to avoid such withholding or deduction by presenting the relevant certificate representing such Note to another Paying Agent in a Member State of the European Union (provided such a Paying Agent had been appointed at the relevant time).

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

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

10. PRESCRIPTION

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

11. MEETINGS OF HOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

11.1 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) if directed in writing by Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding status and subordination referred to in Conditions 3 and 4, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or varying the method of calculating the Interest Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed to be made in the circumstances described in Condition 6.6 in connection with the variation of the terms of the Notes so that they become or remain Qualifying Tier 2 Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6.6.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders. Any resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

An Extraordinary Resolution passed at any meeting of Holders or by way of Written Resolution or Electronic Consents will be binding on all Holders, whether or not they are present at the meeting or, as the case may be, whether or not they sign the Written Resolution or give Electronic Consents (including those Holders who vote in a manner contrary to the majority).

11.2 Modification of the Trust Deed

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

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer has obtained any requisite Supervisory Permission.

11.3 Issuer Substitution

The Trust Deed contains provisions permitting the Trustee, subject to the Issuer having obtained any requisite Supervisory Permission and subject further to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to compliance with such other conditions as are set out in the Trust Deed but without the consent of the Holders, to agree to the substitution on a subordinated basis equivalent to that referred to in Condition 4 of certain other entities (any such entity, a "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes.

11.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11.5 Notices

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

12. REPLACEMENT OF THE NOTES

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

13. RIGHTS OF THE TRUSTEE

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

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

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

14. NOTICES

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

15. FURTHER ISSUES

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

16. AGENTS

The initial Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and their initial specified offices are listed below. Save as set out in the Agency Agreement, they act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint additional or other Transfer Agents, provided that it will:

(a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent; and

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

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition14. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, a leading investment, merchant or commercial bank or financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Registrar or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

17. GOVERNING LAW AND JURISDICTION

17.1 Governing Law

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

17.2 Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. DEFINITIONS

In these Conditions:

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

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

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

"**Authorised Signatories**" has the meaning given in the Trust Deed;

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

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

a "**Capital Disqualification Event**" is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes (or any part thereof) which becomes effective after the Issue Date and that results, or would be likely to result, in the entire principal amount of the Notes or any part thereof ceasing to be eligible for inclusion in the Tier 2 Capital of the Issuer or the Regulated Group;

"**Certificate**" has the meaning given to it in Condition 1.1;

"**Competent Authority**" means the Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters concerning the Issuer and/or the Regulated Group for the time being;

"**Conditions**" means these terms and conditions of the Notes, as amended from time to time (and references to a numbered "**Condition**" shall be construed accordingly);

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

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

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

"**Further Notes**" has the meaning given to it in Condition 15;

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

"**Initial Fixed Interest Rate**" has the meaning given to it in Condition 5.3;

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

"**Initial Reference Rate**" means -0.037 per cent. per annum, being the gross redemption yield of the UK Treasury Gilt 0.625 per cent. due 7 June 2025 (ISIN: GB00BK5CVX03), determined as at 2 July 2020;

"**Interest Payment Date**" means 10 April and 10 October in each year, starting on (and including) 10 October 2020;

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

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

"**Issue Date**" means 10 July 2020, being the date of the initial issue of the Notes;

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

"**Margin**" means the Initial Fixed Interest Rate less the Initial Reference Rate, being 9.037 per cent. per annum;

"**Maturity Date**" has the meaning given to it in Condition 6.1;

"**Noteholder**" has the meaning given to it in Condition 1;

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

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

"**pounds sterling**" or "**pence**" refer to the lawful currency of the United Kingdom;

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

"**Qualifying Tier 2 Securities**" means securities issued directly by the Issuer or issued indirectly by the Issuer and guaranteed by the Issuer (on a subordinated basis equivalent to the subordination set out in Condition 4 and in the Trust Deed) that:

(i) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or independent adviser of appropriate expertise and recognised standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities);

(ii) (subject to (i) above): (1) contain terms which comply with the then current Regulatory Capital Rules in relation to Tier 2 Capital; (2) include terms which provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes and do not provide for interest cancellation or deferral; (3) rank senior to, or *pari passu* with, the ranking of the Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain any terms providing for principal loss-absorption (whether by way of write-down, conversion to equity or otherwise); and (6) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; and

(iii) are (1) listed on the Irish Stock Exchange trading as Euronext Dublin ("**Euronext Dublin**") and admitted to trading on Euronext Dublin's Global Exchange Market or (2) 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;

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

"**Record Date**" has the meaning given to it in Condition 7.1(b);

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

"**Register**" has the meaning given to it in Condition 1.2;

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

"**Regulated Group**" means, at any time, the group comprising the Issuer and some or all of its subsidiaries which for the time is prudentially regulated on a consolidated basis;

"**Regulatory Capital Rules**" means, at any time, the laws, regulations, requirements, guidelines and policies (whether or not having the force of law) of the Competent Authority, the United Kingdom or of the European Parliament and Council then in effect in the United Kingdom relating to capital adequacy, the features of own funds instruments and eligible liabilities instruments and/or prudential supervision and applicable to the Issuer and/or the Regulated Group;

"**Relevant Date**" means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

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

"**Reset Date**" means 10 October 2025;

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

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

"**Reset Rate of Interest**" has the meaning given to it in Condition 5.4;

"**Reset Reference Banks**" means five reputable gilt dealers in the London interbank market relating to pounds sterling selected by the Issuer;

"**Reset Reference Rate**" means in respect of the Reset Period, the gross redemption yield (as calculated by the Agent Bank on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*", page 5, Section One: *Price/Yield Formulae "Conventional Gilts"; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date* (published 8 June 1998, as amended or updated from time to time) or if such basis is no longer in customary market usage at such time, in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of the Reset Period, with the price of the Benchmark Gilt for the purposes of determining the gross redemption yield being the arithmetic average rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks as at 11.00 a.m. (London time) on the Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Agent Bank. If at least four quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Rate shall be equal to the Initial Fixed Interest Rate less the Margin. For the purposes of this paragraph and Condition 5.5:

(a) "**Benchmark Gilt**" means, in respect of the Reset Period, such United Kingdom government security customarily used in the pricing of new issues having a maturity date on or about the Maturity Date as the Issuer (on the advice of an independent investment bank or other independent adviser of appropriate expertise and recognised standing) may determine to be appropriate having taken into account any relevant guidance published by the International Capital Market Association at the relevant time; and

(b) "**dealing day**" means a day on which the London Stock Exchange plc (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

"**Senior Creditors**" means (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and (ii) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer, in either case including (without limitation) creditors in respect of 'eligible liabilities instruments' (within the meaning given in the Regulatory Capital Rules) but in each case excluding those creditors whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims otherwise rank or are expressed to rank *pari passu* with, or junior to, the claims of Holders in respect of the Notes;

"**Substitute Obligor**" has the meaning given to it in Condition 11.3

"**Supervisory Permission**" means, in relation to any action, such supervisory permission (or, as appropriate, waiver) from the Competent Authority or otherwise as is required therefor under prevailing Regulatory Capital Rules (if any);

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

(a) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay any Additional Amounts;

(b) the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced;

(c) the Notes are prevented from being treated as loan relationships for tax purposes in the Relevant Jurisdiction; or

(d) the Issuer is not able as a result of the Notes being in issue to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable tax purposes in the Relevant Jurisdiction (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist), and, in any such case, the Issuer cannot avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, including any treaty to which the Relevant Jurisdiction is a party, or any change in the application of such laws by a decision of any court or tribunal that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes effective or in the case of a change in law, if such change is enacted by a UK Act of Parliament or by Statutory Instrument, on or after the Issue Date;

“**Tier 1 Capital**” has the meaning given to it from time to time by the Competent Authority or the Regulatory Capital Rules;

“**Tier 2 Capital**” has the meaning given to it from time to time by the Competent Authority or the Regulatory Capital Rules;

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

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

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

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

“**Winding-Up**” means:

(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 Notes thereby become redeemable or repayable in accordance with these Conditions);

(b) following the appointment of an administrator of the Issuer, such 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.

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

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

Initial Issue of Certificates

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

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

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to 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 or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to 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 Notes held in Euroclear or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate may only be made if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg 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 and there is no available successor or alternative clearing system satisfactory to the Trustee, provided that, in the case of the first transfer of part of a holding the holder of the Notes represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer.

Where the holding of Notes represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Euroclear and/or Clearstream, Luxembourg.

Calculation of Interest

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the aggregate principal amount of the Notes represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5.2.

Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which (notwithstanding Condition 7.1) 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 Notes 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 Noteholders 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 Condition 14 provided that, for so long as the Notes are listed on Euronext Dublin or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any such notices delivered to Euronext Dublin will also be published on the website of Euronext Dublin for so long as its rules so require. 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 Notes represented by the Global Certificate will be prescribed after 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date.

Meetings

For the purposes of any meeting of the Noteholders, the holder of the Notes 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 Notes.

Written Resolution and Electronic Consent

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

(i) where the terms of the proposed resolution have been notified to the Noteholders 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 Notes outstanding ("**Electronic Consent**"). None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Euroclear and Clearstream, Luxembourg

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

USE OF PROCEEDS

The Notes are being issued to optimise, strengthen and diversify the Issuer's sources of capital. The Issuer intends to apply the net proceeds from the issue of the Notes to refinance its existing £75,000,000 Tier 2 Notes due 2025 and/or to support its planned business activities including any future medium-term growth.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is a specialist UK lending and savings bank focused on Business Finance, Property Finance, Consumer Lending and Savings. As at 31 December 2019, the Group's loan book[1] had grown to £6.8 billion (31 December 2018: £5.9 billion), and it had raised £6.1 billion in deposits (31 December 2018: £5.0 billion).

The Issuer was incorporated under the name Laidlaw Acquisitions Limited on 30 April 2010 and is registered in England and Wales with registered number 7240248. The Issuer was established for the purpose of acquiring Whiteaway Laidlaw Bank ("**WLB**") from Manchester Building Society in 2011.

The registered office of the Issuer is Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE. The telephone number of the Issuer's registered office is 01277 751110. On 11 March 2015, the Issuer changed its name to Shawbrook Group Limited. On 24 March 2015, the Issuer re-registered as a public limited company named Shawbrook Group plc.

The Issuer is the holding company of the Group. The main operating subsidiary of the Group is Shawbrook Bank Limited (the "**Bank**"), a banking institution which is authorised by the PRA and regulated by the FCA and the PRA and is a member of the Financial Services Compensation Scheme.

Since its incorporation and the initial WLB acquisition, the Bank has developed into a multi-product specialist lending and savings bank and, through both controlled growth of originations as well as several successful business and loan portfolio acquisitions, it has grown significantly, with £8.2 billion of assets and over 420,500 customers and as at 31 December 2019 and 814 employees on average on a full-time equivalent basis in the year ending 31 December 2019.

The Group is led by an experienced Executive Management team with a combination of significant underwriting expertise and institutional and regulatory banking experience at various major financial institutions and specialist lenders.

The Group operates its lending and savings activities through the following:

- **Property Finance**, which offers a diverse range of commercial and residential mortgage products. Within these broad markets, the Group specialises in the following areas:
    - ***Commercial***: providing term and bridging finance to professional landlords and property investors in residential investment and commercial investment and owner-occupied asset classes; and

[1] Includes loans and advances to customers net of impairment provision and operating leases, which are classified as property, plant and equipment in the Group's statutory accounts.

- ***Residential***: providing specialist residential second charge mortgages to owner occupiers for a variety of purposes including home improvements, loan consolidation and high-value consumer purchases.

- **Business Finance**, which provides debt-based financing solutions to UK SMEs. The division's portfolio of lending products is comprised of the following four distinct business units:

  - **Asset Finance:** offering leasing and hire purchase finance to UK based SMEs;

  - **Corporate Lending:** providing larger UK SMEs with Asset-Based Lending and Commercial Loan products;

  - **Structured Finance:** providing finance to non-bank specialist lenders, either through Wholesale Funding or Block Discounting in addition to venture debt and leveraged funding for UK SMEs with VC and/or PE sponsorship;

  - **Development Finance:** providing finance to established regional mid-size developers looking to build and refurbish properties in residential and commercial sectors for sale or investment;

- **Consumer Lending**, which lends in two key product areas, building on the Group's approach to transparency and fairness for customers:

  - **Personal Loans:** providing real-rate, pre-approved unsecured personal loans via a number of distribution partners as well as directly to customers; and

  - **Partner Finance:** providing unsecured loans to consumers through strategic partnerships, funding specific purchases primarily for home improvements; and

- **Savings Activity**, which offers a wide range of personal and business savings products, underpinned by consistently strong rates and customer service. The Group's proposition is split into the following two product areas:

  - **Personal Savings:** providing a range of savings products to personal customers, including Easy Access, Notice, Fixed Term Bonds and both Easy Access and Fixed Term Cash ISAs; and

  - **Business Savings:** providing a range of savings products for SMEs and Charities, including Easy Access, Notice and Fixed Rate Bonds.

Further information on each division is set out below, under the section headed "*The Group's current operations*".

Summary financial information as at 31 December 2019 and 31 December 2018

The following table sets out summary consolidated financial information for the Group as at 31 December 2019 and 31 December 2018:

	Year ended 31 December 2019	Year ended 31 December 2018
Average principal employed (£m)	6,372.6	5,351.8
Loans and advances to customers (£m)	6,637.7	5,845.9
Net interest margin (%)	4.6	5.1
Cost of risk (%)	(0.47)	(0.43)/(0.68)[1]
Return on lending assets before tax (%)	1.9	2.1
Cost/income ratio (%)	48.5	51.2
Liquidity coverage ratio (%)	274.5	244.9
CET I ratio (%)	12.0	12.3
Total capital ratio (%)	16.4	17.0
Leverage ratio (%)	8.6	9.2
Risk-weighted assets (£m)	4,974.5	4,206.8

Notes:

[1] Group cost of risk in FY2018 excluding £13.0 million insurance recoveries was 0.68 per cent.

[2] Please see the section "*Glossary*" in these Listing Particulars for an explanation of each of the items used in the table above.

The following table sets out summary of shareholder equity as at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Equity	**(£m)**	**(£m)**
Share Capital	2.5	2.5
Share premium account	87.3	87.3
Capital securities	124.0	124.0
Retained earnings	551.9	467.3

Total equity	**765.7**	**681.1**

Group cost of risk in FY2019 was 0.47 per cent. (FY2018: 0.43 per cent. (excluding £13.0 million insurance recoveries, 0.68 per cent.)).

The Group is funded predominantly through retail deposits. To date, the Group has focused on raising contractually longer-dated deposits across both the notice account and fixed term deposit markets to support a stable funding base for its lending divisions. As at 31 December 2019 the average remaining contractual maturity of deposits was 9.1 months (31 December 2018: 10.6 months) and 63 per cent. (31 December 2018: 70 per cent.) of the Group's deposits had a contractual duration of greater than 90 days.

The Group predominantly sources its deposits directly, supplementing this through strategic partner relationships. The majority of deposits are on-boarded through the Group's website, enabling the Group to raise significant volumes of retail deposits within relatively short periods of time and with high levels of operational efficiency. This direct sourcing model is cost-effective and enables the Group to be flexible in its approach to funding, including managing inflows and tailoring maturity of deposits to manage liquidity risk. The Group manages deposit rates and acquisition of new flows in-house giving it the agility and capability to manage rates and inflows in a timely and efficient manner.

Additional funding is provided through wholesale markets, including the Group's participation in the TFS. Following the final drawdown from the TFS in 2018, the Group looked to diversify its wholesale funding sources to optimise its liability mix and successfully completed its inaugural residential mortgage-backed securitisation in June 2019. Following the announcement of the new Term Funding Scheme with additional incentives for SMEs ("**TFSME**") on 11 March 2020, the Issuer plans to participate in this scheme, and will refinance from the TFS to the TFSME over 2020-21.

The Group's Liquidity Coverage Ratio as at 31 December 2019 was 274.5 per cent. (31 December 2018: 244.9 per cent.). The majority of the Group's High Quality Liquid Assets ("**HQLA**") are held at the Bank of England in cash, with £122 million (nominal value) of other Level 1 HQLA held as at 31 December 2019.

The Group maintained levels of regulatory capital in excess of minimum regulatory requirements with a Common Equity Tier 1 Capital Ratio of 12 per cent. as at 31 December 2019 (31 December 2018: 12.3 per cent.), in excess of its minimum targets. The Group had a total capital ratio of 16.4 per cent. and a leverage ratio of 8.6 per cent. as at 31 December 2019 (31 December 2018: 17 per cent. and 9.2 per cent., respectively). As at the date of these Listing Particulars, the Bank has a Pillar 2A requirement of 2.27 per cent. of risk-weighted assets.

The Group had risk-weighted assets of £4,974.5 million as at 31 December 2019 and £4,206.8 million as at 31 December 2018. Since 31 December 2018, in line with its existing strategy, the Group has continued to grow organically and through portfolio acquisition, with an estimated increase in risk-weighted assets of £767.7 million as at 31 December 2019, representing an increase of 18.2 per cent. to the Group's risk-weighted assets as at 31 December 2019.

Financial and risk information since the last published accounts[2]

The Issuer presents the following unaudited financial information (with comparators against previous, audited financial periods where appropriate) in order to provide potential investors with a better understanding of the initial impact (up to the date as at which the relevant figure is stated) of Covid-19 on the business of the Issuer and the Group.

Financial information

The following table sets out certain financial information for the Group in respect of underlying results and key performance indicators as at 30 April 2020 (year to date), with comparators against 30 April 2019 (year to date), FY2019 (year end) and FY2018 (year end) figures:

	FY2018	**FY2019**	**Year to date 30 April 2019**	**Year to date 30 April 2020**
Underlying results				
Net operating income (£m)	274.1	295.1	95.8	94.7
Administrative expenses (£m)	(130.3)	(138.5)	(46.1)	(43.3)
Impairment losses on financial assets (£m)	(23.2)	(29.9)	(11.0)	(52.8)
of which Covid-19 IFRS 9 overlay (£m)	-	-	-	(43.5)
Provisions for liabilities and charges (£m)	(10.1)	(4.5)	-	(0.7)
Other items	(0.5)	(0.2)	-	-
Underlying profit before tax (£m)	110.0	122.4	38.7	(2.1)
Key performance indicators				
Total Assets (£m)	6,825	8,223	7,286	8,794
Average principal employed (£m)	5,352	6,373	5,992	6,817
Loans and advances to customers (£m)	5,880	6,782[1]	6,115	6,855

[2] Any figure in these Listing Particulars that is expressed to be as at 30 April 2019, or as at a date after 31 December 2019, has not been audited, but has been compiled by the Issuer on a basis consistent with, and has been derived from, the normal accounting and operational procedures, records and systems of the Issuer, in each case subject to internal controls, without material adjustments. Except where expressly identified, such figures have been prepared in a manner consistent with the accounting policies and reporting standards normally applied by the Group in preparing its annual audited financial statements. Such information has been included in these Listing Particulars to give investors a better understanding of the initial impact (up to the date as at which such figure is stated) of Covid-19 on the business of the Issuer and the Group.

Net interest margin (%)	5.1	4.6	4.9	4.2
Cost/income ratio (%)	51.2	48.5	48.1	46.5
CET1 ratio (%)	12.3	12.0	12.3	12.1[2]
Total capital ratio (TCR) (%)	17.0	16.4	16.8	16.5[3]
RWA (£m)	4,207	4,975	4,391	5,092
Cost of Risk (%)	(0.43) / (0.68)[4]	(0.47)	(0.56)	(2.34)[5]

Notes:

[1] The sum of loans and advances to customers (net of loss allowance and fair value adjustments for hedged risk) and the carrying amount of assets on operating leases included in property, plant and equipment. In the year ended 31 December 2019, for the purpose of this KPI calculation, loans and advances to customers includes loans transferred to assets held for sale of £104 million, as they are still considered to be part of the Group's overall loan book until derecognised.

[2] The 30 April 2020 CET1 ratio of 12.1 per cent. includes a 100 per cent. add back of the Covid-19 IFRS 9 overlay into CET 1 as per evolving regulatory guidance. Without the add back the CET 1 ratio as at Apr 20 would be 11.50 per cent.

[3] The 30 April 2020 TCR of 16.5 per cent. includes a 100 per cent. add back of the Covid-19 IFRS 9 overlay as per evolving regulatory guidance. Without the addback the TCR as at Apr-20 would be 15.8 per cent.

[4] Group cost of risk in FY2018 excluding £13.0 million insurance recoveries was 0.68 per cent.

[5] The 30 April 2020 Cost of Risk pre-Covid IFRS 9 overlay is 0.41 per cent.

The impact of Covid-19 on key metrics began to take effect at the end of Q1, however the impact on 30 April 2020 YTD performance has been limited outside of the IFRS 9 Overlay. The IFRS 9 Overlay on impairment is derived from the Bank's ECL modelling process and updated judgements with respect to the economic scenarios used within the ECL to reflect the significant distruption in economic activity expected in FY2020 and beyond. The Group's economic scenarios are compiled by external economic consultants using a version of the UK Treasury model to develop forward forecasts under different assumptions. The ECL scenario used for the overlay was based on a Base case (30 per cent.), Downside (60 per cent.) and Upside (10 per cent.) and further details of this scenario are set out in the table below:

	Base (30%)		Downside (60%)		Upside (10%)		BoE	
%	2020	2021	2020	2021	2020	2021	2020	2021
GDP (Annual Change)	(8.8)	7.8	(24.6)	23.6	(2.7)	5.4	(14.0)	15.0
Unemployment	7.0	5.5	12.7	7.0	4.7	4.6	8.0	7.0

House Prices (Annual Change)	(5.0)	4.9	(9.6)	6.4	1.0	3.9	-	-
BoE Base Rate	0.1	0.1	0.1	0.1	0.1	0.5	-	-

Capital Management

The following table sets out the Group's capital position relative to requirements as at 30 April 2020:

30 April 2020	**Total**	**CET 1**	**AT1**	**Tier 2**
RWAs		£5,092m		
Pillar 1 requirement (%)	8.0	4.5	1.5	2.0
Pillar 2A requirement (%)	2.3[1]	1.3	0.4	0.6
CRD IV Buffer CCoB (%)	2.5	2.5	-	-
CRD IV Buffer CCyB (%)	0.0	0.0	-	-
Total capital requirement (%)	12.8	8.3	1.9	2.6
Total capital requirement (£m)	650	422	98	131
Group's Capital Resources (£m)	836	618	124	94
Surplus (£m)	186	197	26	(37)
Capital ratio[2] (%)	16.5	12.1	-	-

Notes:

[1] This figure is rounded to one decimal place. As at the date of these Listing Particulars, the Bank has a Pillar 2A requirement of 2.27 per cent. of risk-weighted assets.

[2] As per the notes in the table on page 95 of these Listing Particulars, the 30 April 2020 capital ratios incorporate a 100 per cent. add back for Covid-19 related overlay as per evolving regulatory guidance, and unverified profit.

Under CRR II, the Issuer's available distributable items amount to £180.4 million based on 30 April 2020 management accounts.

Payment Holidays / Covenant Concessions

As at 7 June 2020 payment concessions have been requested by borrowers in respect of c. 32 per cent. of the Group's loan portfolio by value. The following table sets out payment concession figures as at 7 June 2020 by division. For the Business Finance division, these figures include covenant concessions in addition to payment holidays:

As at 7 June 2020	Property Finance	Consumer	Business Finance
Percentage of loan accounts whereby borrower has requested a payment concession (% of customers comprising loan portfolio)	24.6	4.2	47.0
Value of loans whereby borrower has requested a payment concession (% of aggregate loan portfolio value)	30.1	7.4	47.5

The following table sets out payment concession figures as at 7 June 2020 for the Business Finance division, by business unit:

As at 7 June 2020	Contracts less than £250k (across entire Business Finance division)	Asset Finance (contracts greater than £250k)	Corporate Lending (contracts greater than £250k)	Development Finance (contracts greater than £250k)	Structured Finance (contracts greater than £250k)
Number of customers who have requested payment concession	2252	71	53	2	28
Value of loans whereby borrower has requested a payment concession (% of aggregate Business Finance loan portfolio value)	9.4	10.2	10.9	1.3	15.7

In the Business Finance division, concessions have been requested by 47 per cent. of customers by volume, representing 47.5 per cent. of the Business Finance book by value. Concessions have been granted as a tool to support customers through Covid-19 whilst protecting the Group's underlying exposures. Every concession over £250k has been individually under-written. Across the Group's complex portfolios, including Corporate Lending, Development Finance and Structured Finance (as well as larger Asset Finance exposures), all clients are proactively managed. Concessions are bespoke and may include payment holidays, temporary covenant waivers, rescheduling and/or additional collateral. The Group's participation in CBILS offers another tool to help clients either avoid or end reliance on concessions by offering increased liquidity to trade through the crisis.

Expected credit loss

In accordance with the Group's accounting policy, impairment of financial assets is calculated using a forward looking ECL model.

The following table sets out the Group's ECL by division, and the final row of the table takes into account a £43.5 million Covid-19 IFRS 9 impairment overlay to the Group's 30 April 2020 accounts:

	Property Finance	**Consumer Lending**	**Business Finance**
ECL 31 December 2019 (£m)	14.5	29.6[1]	25.5
ECL 30 April 2020 (£m) (pre Covid overlay)	14.1	21.5	27.8
ECL 30 April 2020 (£m) (post Covid overlay)[2]	23.0	33.7	50.1

Notes:

[1] 31 December 2019 ECL includes those relating to assets held for sale.

[2] The Covid-19 overlay is a rebasing of the ECL inherent in the loan portfolio having regard for the revised economic forecasts provided by our external economic consultants. In order to provide this estimate, three different projections of the path of UK economic activity were used: a base case (weighted 30 per cent.), an upside case (weighted 10 per cent.), a downside case (weighted 60 per cent.). These parameters were used in the Group's IFRS9 models to re-estimate the ECL for the lending portfolio and the results of the rebased calculation included as an ECL overlay in the 30 April 2020 management accounts.

The following table sets out the Group's total loss allowance coverage ratios by division as at FY2019 (year end) and 30 April 2020:

Loss allowance coverage ratio (%)	**FY2019**	**30 April 2020**
Business Finance	1.5	3.1
Property Finance	0.3	0.5
Consumer Lending	4.2	5.9
Total	1.0	1.5

Measurement of ECLs depends on the 'stage' the financial asset is allocated to, based on changes in credit risk occurring since initial recognition as described below:

- **Stage 1**: when a financial asset is first recognised it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1, a 12-month ECL is recognised.

- **Stage 2**: when a financial asset shows a significant increase in credit risk since initial recognition it is moved to Stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 3. For financial assets in Stage 2, a lifetime ECL is recognised.

- **Stage 3**: when there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is moved to Stage 3. For financial assets in Stage 3, a lifetime ECL is recognised.

The following table sets out the Group's stages by division (based on gross carrying amount) as at 31 December 2019 and 30 April 2020:

	Property Finance	Consumer	Business Finance	Total Group
Percentage of loans at Stage 1 as at 31 December 2019 (%)	85.9	91.5	90.1	87.4
Percentage of loans at Stage 1 as at 30 April 2020 (%)	87.7	92.1	90.1	88.6
Percentage of loans at Stage 2 as at 31 December 2019 (%)	12.1	7.3	8.2	10.7
Percentage of loans at Stage 2 as at 30 April 2020 (%)	9.9	6.3	8.2	9.2
Percentage of loans at Stage 3 as at 31 December 2019 (%)	2.0	1.3	1.8	1.9
Percentage of loans at Stage 3 as at 30 April 2020 (%)	2.4	1.5	1.7	2.2

Note: Arrears day counts and stage migration have been halted in accordance with regulatory guidance for accounts in payment holiday and as such, it may be expected that these could deteriorate as the macroeconomic deterioration materialises.

History and development of the Group

The Issuer was formed to acquire the entire issued share capital of WLB from the Manchester Building Society in January 2011, using funds provided by the RBS Special Opportunities Fund. In 2013 the managers of the RBS Special Opportunities Fund formed an independent fund business, now known as Pollen Street Capital. After its acquisition by the Issuer, WLB was renamed Shawbrook Bank. This acquisition was the first step in the journey of creating a new UK independent specialist lending and savings bank.

Having secured access to a reliable and stable source of funding from retail deposits through the acquisition of WLB's banking platform, the Group has built out its product offering to serve a number of carefully selected specialist markets which the Group identified as being poorly served by large high street banks, and where the Group had the expertise and deep relationships to maximise the opportunities for high growth and returns within these specialist markets. As well as successfully purchasing and integrating several business acquisitions, the Group has also purchased a number of loan portfolios, demonstrating its capability and expertise to grow inorganically where opportunities arise which fit the Group's acquisition criteria.

Shortly after the acquisition of WLB's banking platform, the Group also acquired:

(a) certain assets and people (but not the entity itself or the historical loan book) of Commercial First, a leading non-bank commercial mortgage lender that was previously funded through the wholesale markets; and

(b) Link Loans, a secured lending provider, which had been established by certain members of the Commercial First management team in 2010. The Group acquired the entire issued share capital of Link Loans as well as certain key assets, people and the historical loan book of £33.5 million which had been built since 2010.

The business pursued organic growth from these two lending platforms during 2011, and also established an unsecured consumer lending capability.

In March 2012, the Group expanded its SME offering by acquiring Singers Asset Finance, a provider of asset finance, which was rebranded as Shawbrook Asset Finance (a now historic trading style of Shawbrook Bank) in March 2013.

In November 2012, the sales and business partner management capability for the Consumer lending division was brought in-house with the acquisition of Money2Improve, which sourced lending business in home improvement and holiday ownership loans.

In June 2014, the Group acquired Centric Commercial Finance, an invoice finance provider to SMEs founded by experienced entrepreneurial commercial finance experts. Centric was rebranded as Shawbrook Business Credit (a now historic trading style of Shawbrook Bank) in October 2014. This acquisition rounded out the Group's SME offering by adding an ability to finance current assets.

In 2016, the Group incorporated a Jersey subsidiary, Shawbrook International Limited ("**SIL**"), and expanded its operations into the Channel Islands (first into Jersey in 2016 and later into Guernsey in 2018). SIL provided a range of specialist consumer, property and financing solutions.

During 2019, the Group exited its lending activities in the Channel Islands and sold SIL in a management buyout to align with the long-term strategic goal of simplifying the business and focussing on core value creation activities.

In 2018, the Group extended its residential property lending proposition into residential buy-to-let mortgages through acquiring 19.99 per cent. of the shares in The Mortgage Lender Limited ("**TML**") and entering into a partnership with TML whereby the Group funds the forward flow of TML's residential buy to let originations and TML continues to service the mortgages.

Changes in ownership – IPO and Marlin takeover

In April 2015, the Group completed a successful IPO with admission to the London Stock Exchange, raising £90 million of gross primary proceeds (£82 million net of costs) to support the Group's capital position and future growth.

On 31 March 2017, Marlin Bidco Limited ("**Marlin**"), a company owned jointly by funds managed and/or advised by Pollen Street Capital Limited and funds advised by BC Partners LLP, announced an offer to acquire the entire issued and to be issued ordinary share capital of the Issuer not already directly or indirectly owned by Marlin or its concert parties (as subsequently revised on 5 June 2017, the "**Offer**"). The Offer was declared unconditional in all respects on 7 July 2017 and, on 24 August 2017, the listing of the Issuer's ordinary shares on the London Stock Exchange was cancelled.

The Group's strategy

The Group’s core strategy is primarily focused on providing specialist solutions to UK SME markets where the Issuer believes its deep expertise and established reputation for providing innovative products and services offers a truly differentiated proposition. Adopting traditional values with a modern delivery through the deployment of thoughtful funding solutions, the Group distinguishes itself by concentrating on those sectors where its expert knowledge, speed and flexibility offer a competitive advantage. The Group continues to invest for the future, increasing focus on digitalisation and automation to evolve its customer propositions and enhance operational efficiencies.

The Issuer believes that the maintenance of this strategy and business model will encourage continued growth in earnings and the provision of attractive risk-adjusted returns, while staying true to its risk management principles and creating long-term sustainable value for its stakeholders.

The business achieved strong financial performance during FY2019 with Profit Before Tax ("**PBT**") up 11 per cent. from £110 million for the same period in 2018 to £122.4 million. This performance was driven by continued year-on-year growth in the Group's loan book by 15 per cent. to £6.8 billion.

The Group's current operations

The Group offers a range of specialist lending and savings products, operating out of four distinct divisions and offering a diversified asset mix. These divisions are focused on deploying specialist products and services out of carefully selected markets, which the Issuer believes are poorly served by the mainstream banks. As a result, this supports the Group to deliver quality and consistency for its customers whilst maximising the opportunities for high growth and returns.

Property Finance

The Property Finance division is the Group's most mature business, built on foundations of strong, longstanding relationships with a national network of mortgage brokers and professional intermediaries. The division’s specialist market knowledge and technology enabled service allow it to continue to provide seamlessly executed and tailored solutions to its customers. The division operates selectively within extensive markets and the specialist approach continues to resonate with its customers.

The division offers a diverse range of commercial and residential mortgage products and within these specialist markets, it operates in the following areas:

Commercial

The division's activity in its commercial markets is focused on providing long-term and short-term finance to professional landlords and property investors in residential, commercial investment and owner-occupied asset classes. The Group’s approach to commercial property finance considers the unique borrower profile as well as the property asset, whether the borrower is a limited company, a partnership or an individual.

Residential

The division's residential proposition is focused on the second-charge mortgage market, providing a wide range of secured loans, primarily to prime borrowers. Loans are granted to owner occupiers for a variety of purposes including home improvements, debt consolidation and high-value consumer purchases.

Business Finance

The Business Finance division provides a comprehensive suite of debt-based finance solutions to UK SMEs, competing on quality of service and speed of delivery. The division operates in several niche markets, offering a well-diversified range of products. Specialist teams have deep sector knowledge and, recognising that every SME has individual needs, will take the time to understand the unique characteristics of each business they serve. When funding their complex needs, the Group recognises that speed, flexibility and certainty matter the most.

In October 2019 the Group exited the Channel Islands with the sale of Shawbrook International, allowing it to focus on scaling its UK core business.

The division’s portfolio of lending products is delivered through the following four distinct business units:

Asset Finance

Asset Finance provides finance to UK SMEs to acquire business assets such as vehicles, plant and machinery. The core products are Hire Purchase, Finance Lease and Operating Lease, distributed through both a network of approved broker partners and a direct sales force. The business has a number of specialist teams to support the provision of funding to asset classes or markets that require deeper understanding. Examples include Marine, Aviation, Sustainable Energy, Healthcare and Technology. The business also provides unsecured loans to professional & medical services partnerships typically to facilitate short term payment of insurance, indemnity and tax bills.

Structured Finance

Structured Finance provides senior secured funding to small and medium sized non-bank lenders and credit funds. Finance is provided through revolving credit facilities, term loans and block discounting and is distributed through a direct sales force. Facilities are secured by the borrower's customer receivables on a written down basis.

Over the last 12 to 18 months the portfolio of products has been expanded to satisfy a greater number of business needs. Two structured cashflow lending products have been added to the portfolio: Growth Capital, providing loans to high growth companies backed by Venture Capital or Private Equity sponsors; and Unitranche, providing finance to established businesses going through a major strategic event such as a management buy-out or acquisition where Private Equity sponsors are involved. These leveraged finance products are structured as senior loans and revolving credit facilities secured by an all assets debenture and structured against future cashflows of the business. Warrants may also be taken in some cases for Growth Capital transactions. These products are also distributed through a direct sales force.

All Structured Finance customer are managed through a dedicated portfolio management function.

Corporate Lending

The Corporate Lending business supports SMEs across a range of sectors with their working capital requirements and funding needs for significant strategic events (e.g. a change of ownership or acquisition) through two key products: Asset Based Lending (facility sizes range from £500,000 to £25 million); and Commercial Loan (£500,000 to £15 million). Asset Based Lending facilities (secured against accounts receivables and a combination of other assets including plant and machinery, property and stock) provide ongoing working capital and support growth opportunities, mergers and acquisitions, refinancing and restructuring. The Commercial Loan is a senior leveraged debt product designed for businesses which are asset-light, supporting a range of needs including refinance, acquisition or MBOs, The debt is repayable by the cashflows of the business, secured by an all assets debenture.

Development Finance

The Development Finance business provides lending to professional property developers to fund the development of residential and mixed-use property, either through heavy refurbishment or ground-up new build, as well as conversion of commercial properties to residential where a pre-let or pre-sale is in place. Senior debt loans are provided from £1 million to £30 million, up to a maximum 65 per cent. of gross development value ("**GDV**"), and subordinated loans from £1 million to £5 million and up to 70 per cent. GDV. The facilities can be provided on a phased drawdown basis and secured against the value of the land or buildings.

Consumer Finance

The Consumer Finance proposition provides a range of lending products to consumer customers, built on the core values of transparency and fairness. All of the division's loans are unsecured, and the majority are regulated under the CCA. The Issuer believes that its innovative distribution model, advanced risk management and pricing strategies combined with its expert judgement allow it to make sensible lending decisions whilst providing good outcomes for its partners and customers.

The Consumer Finance business operates in the following two sectors:

Personal Loans

The Issuer believes that the personal loans market in the UK is dominated by low representative teaser rates which are subsidised, in many cases, by a group of customers being offered much higher rates than those advertised. The Group's Personal Loans offering has been built on the principles of fairness and transparency, providing a real-rate proposition to consumers which, in the majority of cases, is pre-approved before the point of full application. The Group's personal loans are primarily distributed through digital marketplaces such as price comparison websites and free credit report providers.

Alongside the marketplace proposition, the Issuer has continued to explore complimentary distribution opportunities, focusing on affinity partnerships. Following the continued success of the RAC relationship, the Issuer partnered with Tesco Bank in 2019 to offer an alternative loan option, where appropriate, to customers who were not offered a loan by Tesco. The Group's Personal loan product can also be accessed directly through the Group's website, whereby customers provide minimal data to support a soft-search at the credit bureau(s) to enable a pre-approved credit decision and a fair, transparent and tailored price quotation.

Partner Finance

Provides unsecured loans to consumers through strategic partnerships, funding specific purchases primarily within the home improvements sector. In 2019, the Group successfully rationalised its Partner Finance business with minimal operational losses, allowing increased focus on the key partner relationships which have increasing strategic alignment with the Issuer.

Savings

The Group's savings division offers a wide range personal and business savings products, underpinned by consistently strong rates and a straightforward value driven proposition. The Group continues to evolve its savings offering, utilising digitalisation and automation to empower customers, improve customer experience and strengthen operational capacity.

As well as enhancing its current proposition, the Group continues to broaden its product range to meet customers' savings needs and expand its addressable market while building a diverse but stable deposit base in line with the Group's liquidity risk appetite.

In 2019, the division continued to grow its personal savings base sustainably, resulting in a deposit book of £6.1 billion as at 31 December 2019. The Issuer believes that this will support the continued progressive growth of the Group's specialist lending book.

The Group's savings proposition is split into the following two product areas:

Personal Savings

The Group's personal savings proposition provides a range of savings products to personal customers, including Easy Access, Notice, Fixed Term Bonds and both Easy Access and Fixed Term ISAs. Whilst the business attracts deposits from all customer demographics, a significant proportion of the customer deposit base continues to be sourced from affluent customers, with high average balances, high retention and long behavioural maturities.

To complement its direct savings offering and reduce reliance on the best buy tables, the Group continues to leverage its savings partner distribution network through strategic relationships with select complementary cash management platforms.

Business Savings

The Group's Business Savings proposition provides a range of savings products for SMEs, including Easy Access, Notice and Fixed Rate Bonds. In 2019, further investment was made into increasing digital capability, resulting in the digitalisation of the Group's business savings range with a suite of new products, enabling Limited Companies, Partnerships and Sole Traders access and apply direct through the Group's website. The Group also offers Notice and Fixed Rate Bonds to UK Charities.

The transition towards a fully digitised savings business that is supporting the progressive growth of the balance sheet is continuing, with 83 per cent. of all applications made online (2018: 80 per cent.) and 93 per cent. of customers being registered for online servicing as at 31 December 2019.

The Savings sub-division continues to develop its distribution strategy in order to further diversify its customer base and reduce reliance on appearance in best-buy tables. The sub-division works with a select number of strategic partners to offer deposit products through their platforms.

As at 31 December 2019, the Savings sub-division had approximately 147,000 customers (31 December 2018: approximately 103,000 customers) and £6.1 billion (31 December 2018: £5.0 billion) of deposits. As at 31 December 2019, the average remaining contractual maturity of deposits was 9.3 months (31 December 2018: 10.8 months), with 55 per cent. of the book (31 December 2018: 64 per cent.) greater than 90 days.

The Savings sub-division has a well-diversified depositor base and attracts large average balances by actively targeting the broad savings needs of the most affluent saving segments in the UK. This focus has resulted in an average size of deposits of approximately £34,000 for term deposits and approximately £58,000 for notice accounts as at 31 December 2019, and also has the benefit of optimising administrative efficiency.

The division's retail cost of funds (being its interest expense on customer deposits as a percentage of average principal employed) has increased slightly from 1.4 per cent. for the year ended 31 December 2018 to 1.5 per cent. for the year ended 31 December 2019.

Risk management

The Group seeks to manage the risks inherent in its business activities and operations through close and disciplined risk management which quantifies the risks taken, manages and mitigates them as far as possible and prices appropriately for the residual level of risk carried in order to produce an appropriate commercial return through the cycle.

The Group's approach to risk management continues to evolve and has benefitted from further investment during 2019 in key areas such as financial crime, technology and information security. There has been further investment in the Group's key operating divisions including the appointment of a new Property Risk Director and the recruitment of additional analytical resources to support the delivery of the Group's lending objectives. The Group's risk management framework ("**RMF**") was further enhanced in 2019, reflecting the emergence of climate change and the realignment of key responsibilities. The Group has also developed a new approach to stress testing which is being embedded in both its Internal Capital Adequacy Assessment Process (ICAAP) and the further development of risk appetite measures and reporting. The Group appointed a new Chief Operating Officer and a Managing Director of Property Finance in April 2019 and a new Head of Operational Risk in November 2019.

The Group's approach to enterprise wide risk management is underpinned by five key elements: risk strategy, risk appetite, the RMF, governance and culture. Further details of these key elements are provided below.

Risk Strategy

The risk strategy sets out the risk management objectives which support the achievement of the Group's commercial goals and the operation of business activities which seek to deliver those aims. The risk strategy sets out which risks are to be acquired or incurred and how they will be managed by the organisation. This is summarised in the annual Risk and Compliance Plan that is approved by the Board in February of each year.

Risk Appetite

The level of risk that the Group is willing to tolerate in operating the various elements of its business are defined in a risk appetite statement, which is agreed by the Board and reviewed on a regular basis. This articulates qualitative and quantitative measures of risk which are cascaded across various areas of the Group's operations, calibrated by reference to the Group's absolute capacity for risk absorption, limit of appetite and target thresholds. During 2019, the Group completed updates to its liquidity and interest rate risk in the banking book appetite and commenced an annual review of the Group and divisional risk appetites.

Risk Management Framework

All of the Group's business and support service activities, including those outsourced to third party providers or originated via brokers and other business intermediaries, are executed within the parameters of a single comprehensive RMF. This sets out minimum requirements and ensures consistent standards and processes are set across the organisation. Risks are identified, measured, managed, monitored, reported and controlled using the RMF. The design and effectiveness of the framework is overseen and reviewed by the Risk Committee.

Responsibility for risk management sits at all levels across the Group from the Board and Executive Committee down through the Group's divisions, central functions, and in turn to each divisional head and their business managers and risk officers.

The Group's RMF describes the various activities, techniques and tools which are mandated to support the identification, measurement, control, management, monitoring, reporting and challenge of risk across the Group. It is designed to provide an integrated, comprehensive, consistent and scalable structure which is capable of being communicated to, and clearly understood by, all of the Group's employees and is described in the sections below.

Governance

All of the Group's risk activities are subject to detailed and comprehensive governance arrangements which set out how risk-based authority is delegated from the Board to Executive Management and the various risk management committees and individuals.

Culture

The Group is led by an experienced Executive Management team with a combination of significant underwriting expertise and institutional and regulatory banking experience at various major financial institutions and specialist lenders. This heritage provides the platform for a set of values and behaviour where the customer is at the heart of the decision-making process and business areas are held fully accountable for risk performance. At the individual level, this process begins with the induction programme and job descriptions, is carried into the setting of individual objectives and performance reviews and is ultimately reflected in the compensation and reward structure.

The Group's RMF is underpinned by the 'three lines of defence' model:

- Responsibility for risk management resides in the frontline business divisions and central functions, and line management is directly accountable for identifying and managing the risks that arise in their business or functional area. They are required to establish effective controls in line with Group risk policy and act within the risk appetite parameters set and approved by the Board. The first line of defence comprises each of the three lending divisions. The first line of defence also includes the finance function led by the Chief Financial Officer, the operations function led by the Chief Operating Officer, the technology function led by the Chief Technology Officer, the human resources function led by the Group Human Resources Director and the legal function led by General Counsel and Company Secretary. Operational resiliency and outsourcing oversight is performed by the Chief Operating Officer and the Chief Technology Officer. Whilst the human resources and legal functions are not customer facing themselves, they provide support and back up to the customer facing divisions and have insight into many operational factors that could ultimately impact on Group's exposure to liquidity, market, credit, regulatory, legal, conduct, compliance and operational risk.

- The second line of defence comprises the Group's central and independent risk management and compliance function led by the Chief Risk Officer, who reports to the Chair of the Risk Committee and to the Chief Executive Officer. The Chief Risk Officer is also provided with unfettered access to the Chairman of the Board. The second line of defence also includes the General Counsel and Company Secretary who report to the Chief Executive Officer. The second line of defence is necessarily and deliberately not customer facing and has no responsibility for any business targets or performance. It is primarily responsible for: (i) the design and build of the various components of the Group's RMF and embedding these, together with the risk strategy and risk appetite across the organisation; (ii) independent monitoring of the Group's activities against the Board's risk appetite and limits, and provision of monthly analysis and reporting on the risk portfolio to the Executive Committee and the Board; (iii) issuing and maintaining the suite of Group risk policies; (iv) undertaking physical reviews of risk management, controls and capability in the first line units and providing risk assurance reports to the Executive Committee and the Board on all aspects of risk performance and compliance with the RMF; (v) providing advice and support to the first line of defence in relation to risk management activities; (vi) credit approvals between divisional authority and the threshold for Credit Approval Committee; and (vii) undertaking stress testing exercises and working with finance and treasury on the production of the Internal Capital Adequacy Assessment Process ("**ICAAP**"), Internal Liquidity Adequacy Assessment Process ("**ILAAP**") and the Recovery Plan and Resolution Pack (collectively the "**RRP**").

- The third line of defence, internal audit, is currently, and has been since June 2013, outsourced to Deloitte LLP, which provides the Group with access to specialist capabilities beyond its current scale and insight into best practice. In 2019, the Audit Committee agreed to begin taking steps to bring this function in-house. Internal audit provides independent assurance on the activities of the Group, effectiveness of the Group's RMF and internal controls directly to the Board and Audit Committee. Internal audit reports directly to the Chair of the Audit Committee as well as the Chief Executive Officer and is independent of the first and second lines of defence. The third line of defence has access to the activities and records of both the first and second lines of defence. It can inspect and review adherence to policy and controls in the first line, the monitoring of activity in the second line and the setting of policy and controls in the second line. The third line of defence does not independently establish policy or controls itself, outside of those necessary to implement its recommendations with respect to the other two lines of defence. The third line may in some cases use as a starting point the reports and reviews compiled by the second line but is not restricted to them or necessarily influenced by their findings.

Credit risk management

The Group manages risks associated with lending through detailed credit and lending policies which reflect the approved risk profile set out in its credit risk appetite statement and which govern the approach to lending, underwriting criteria, credit mandates, concentration limits and product terms. The Group further seeks to mitigate credit risk by focusing on sectors where it has in-depth knowledge of both the underlying collateral and borrowers.

The Group aims to maintain a broad lending portfolio, rather than a portfolio of large loans, although certain larger exposures exist. Lending is subject to a hierarchy of authorities based principally upon the size of the aggregated credit risk exposure to counterparties, group of connected counterparties or, where applicable, a portfolio of lending assets that are subject to a single transaction. In addition to maximum amounts of credit exposure, sole lending mandates may stipulate sub-limits and/or further conditions and criteria. Group Credit approve all exposures for the Business Finance division. The COO function approved aggregate exposures for the Commercial Property Finance division of up to £1.25 million. The maximum divisional mandate for the Consumer Lending division is £75,000. Exposures beyond these limits up to £5 million may be approved by an approver in the second line of defence and exposures up to the Group single name concentration limit of £35 million must be approved by the Credit Approval Committee. The Group has limited appetite for exposures above £25 million within the lending authority of the Credit Approval Committee. In addition, where transactions involve financing portfolios of lending assets in excess of £15 million, or where an individual loan is required in excess of the £35 million concentration limit, Board approval is also required.

All prospective customers are subject to the Group's standard anti-money laundering and know-your-customer reviews, undertaken by each division's lending team.

Directors

The following table presents information about the Issuer's directors and lists other directorships or positions held. The business address for all directors is Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE.

Name	Other directorships/positions	Position
Robin Ashton	Shawbrook Bank Limited	Non-Executive Director
	Domestic & General Limited	Non-Executive Director and Audit Committee Chair
John Callender	Shawbrook Bank Limited	Director
	Camberley Heath Limited	Director
	FCE Bank Plc	Senior Independent Director and Chair of Risk Committee
	Inglewood Amenity Management Company Limited	Director
Ian Cowie	Shawbrook Bank Limited	Director
	Centric SPV 1 Ltd	Director
	Coachlease Limited	Director
	Hermes Group Limited	Director
	Link Loans Limited	Director
	Resource Partners SPV Limited	Director
	Shawbrook Buildings and Protection Limited	Director
	Singer & Friedlander Commercial Finance Limited	Director
	Singers Corporate Asset Finance Limited	Director
	Singers Healthcare Finance Limited	Director

Name	Other directorships/positions	Position
Andrew Didham	Shawbrook Bank Limited	Non-Executive Director
	Charles Stanley Group PLC	Director
	Charles Stanley & Co Limited	Director
	N.M. Rothschild & Sons Limited	Director
	NMR Pension Trustee Limited	Director
	IG Group Holdings Plc	Non-Executive Director
Cédric Dubourdieu	Shawbrook Bank Limited	Director
	Marlin Bidco Limited	Director
	Loch 08	Director
	Louvre Bidco	Director
	BC Partners Foundation	Director
	BC Partners LLP	LLP Member
	iQera	Board Member
Paul Lawrence	Shawbrook Bank Limited	Independent Non-Executive Director
	Uley Community Stores Ltd	Chairman
	HSBC Bank Oman	Independent Director
Lindsey McMurray	Shawbrook Bank Limited	Non-Executive Director
	Marlin Bidco Limited	Director
	1st Stop Holdings Limited	Director
	Bidx1 Acquisitions Limited	Director
	Bidx1 Holdings Limited	Director
	Bumblebee Loans Ltd	Director
	Cashflows Europe Limited	Director
	Freedom Acquisitions Limited	Director
	Future First Alumni Limited	Director
	Honeycomb Finance Limited	Director
	Honeycomb Holdings Limited	Director
	HSQ Investment Limited	Director
	Kingswood Holdings Limited	Director
	Pollen Street Capital Holdings Limited	Director
	Pollen Street Capital Limited	Chief Executive, Director
	Pollen Street Capital Services (UK) LLP	LLP Designated Member
	Pollenup Limited	Director
	PSC3 Funding Limited	Director
	PSC Bidco Limited	Director
	PSC Credit Holdings LLP	Chief Executive, Partner
	PSC III Carry GP LIMITED	Director
	PSC III G GP	Director
	PSC III GP Limited	Director
	PSC IV GP Limited	Director
	PSC Nominee 1 Limited	Director
	PSC Nominee 3 Limited	Director
	PSC Service Company Limited	Director
	Pura Coco SL	Director
	Special Opportunities Fund General Partner (Cayman Limited)	Director
	SOF Annex Nominees Limited	Director
	SOF General Partner (Scotland) II Limited	Director
	SOF General Partner (UK) Limited	Director
	The 1st Stop Group Limited	Director

Name	Other directorships/positions	Position
	Validis Group Holdings Limited	Director
	Validis Holdings Limited	Director
	Villon Holdings (UK) Limited	Secretary and Director
Dylan Minto	Shawbrook Bank Limited	Director
	Centric SPV 1 Ltd	Director
	Coachlease Limited	Director
	Hermes Group Limited	Director
	Link Loans Limited	Director
	Resource Partners SPV Limited	Director
	Shawbrook Buildings and Protection Limited	Director
	Singer & Friedlander Commercial Finance Limited	Director
	Singers Corporate Asset Finance Limited	Director
	Singers Healthcare Finance Limited	Director
Michele Turmore	Shawbrook Bank Limited	Director
	Ambant Limited	Director
	Ambant Underwriting Services Limited	Director
	KMT Management Limited (in voluntary liquidation)	Director

In addition to the above interests, the directors may, from time to time, hold directorships or other significant interests with companies outside of the Group which could result in conflicts or give rise to a potential conflict with their duties to the Issuer. The Issuer's Articles of Association allow its directors to authorise conflicts of interest and the Board has adopted a policy and effective procedures to manage and, where appropriate, approve conflicts or potential conflicts of interest. Under these procedures, directors are required to declare all directorships of companies which are not part of the Group, along with other appointments which could result in conflicts or could give risk to a potential conflict.

Save as described above, none of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties.

Committees of the Board of Directors

The Board has a number of Committees: Audit, Risk, Nomination, and Remuneration. All Committees have access to independent expert advice and the services of the Company Secretary. The Chairman of each Committee reports to the Board. The constitution and written terms of reference of each Committee, including their objectives and the authority delegated to them by the Board, are reviewed regularly to ensure that the Committees are operating effectively and any changes considered necessary are recommended to the Board for approval.

The Board delegates daily management responsibility for the Group to the Executive Committee, which meets at least three times a month. The Executive Committee is responsible for developing the business and delivering against a strategy approved by the Board and ensuring effective monitoring and control mechanisms.

Audit Committee

The Audit Committee comprises six members, the majority of whom are independent Non-Executive Directors: Andrew Didham (Chair), Robin Ashton, Paul Lawrence, Lindsey McMurray, Cédric Dubourdieu and Michele Turmore.

The purpose of the Audit Committee is to monitor the integrity of the Group's financial statements; to oversee and challenge the effectiveness of the Group's financial controls and to monitor the work and effectiveness of the Group's internal and external auditors. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board but is reviewed and challenged by the Audit Committee.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with the requirements of any quorum for, and the right to attend, meetings. Other categories of responsibility of the Audit Committee covered in the terms of reference include external audit, internal audit, narrative reporting and whistleblowing. The Committee meets as required but holds at least six meetings a year.

Risk Committee

The Risk Committee comprises six members, the majority of whom are independent Non-Executive Directors: Paul Lawrence (Chair), Robin Ashton, Andrew Didham, Lindsey McMurray, Cédric Dubourdieu and Michele Turmore.

The purpose of the Committee is to provide oversight and advice to the Board in relation to current and potential future risk exposures of the Group and the future risk strategy, including determination of risk appetite and tolerance. The Committee is also responsible for reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group.

The terms of reference of the Risk Committee cover such issues as membership and the frequency of meetings, together with the requirements of any quorum for, and the right to attend, meetings. The Committee meets as required but holds at least six meetings a year.

Nomination Committee

The Nomination Committee comprises five members, the majority of whom are independent Non-Executive Directors: John Callender (Chair), Robin Ashton, Paul Lawrence, Lindsey McMurray and Cédric Dubourdieu.

The purpose of the Nomination Committee is to review the Board's structure, size, composition, and balance of skills, experience, independence and knowledge of the Directors, to lead the process for Board appointments and Senior Management Function holder apointments and make recommendations to the Board and to provide guidance to management on executive succession planning.

The terms of reference of the Nomination Committee cover such issues as membership and the frequency of meetings, together with the requirements of any quorum for, and the right to attend, meetings. Meetings are held at least four times a year.

Remuneration Committee

The Remuneration Committee comprises six members, the majority of whom are independent Non-Executive Directors: Robin Ashton (Chair), Paul Lawrence, Andrew Didham, Lindsey McMurray, Cédric Dubourdieu and John Callender.

The purpose of the Remuneration Committee is to oversee how the Group implements its remuneration policy and monitor the level and structure of remuneration arrangements for the Board, Executive and material risk takers, approves share incentive plans, and recommends them to the Board and Shareholder.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements of any quorum for, and the right to attend, meetings. Meetings are held at least four times a year.

Other Committees

In addition to the principal committees outlined above the Board is supported by the work of Disclosure Committee and the Acquisitions & Divestments Committee, which meet on an as needed basis.

Relationship with Marlin

Following the takeover of the Group by Marlin, the Group's corporate governance arrangements and its Board and Board Committee memberships remain substantially unchanged, with the exception of the appointment to the Board of Cédric Dubourdieu and Michele Turmore.

However, a Framework Agreement has been put in place between the Issuer and Marlin. This sets out a number of matters which require the ultimate approval of Marlin as the 100 per cent. shareholder of the Issuer. The Marlin representative directors - Lindsey McMurray and Cédric Dubourdieu - also have the right to attend Board Committee meetings. This Framework Agreement is supplemented by a Memorandum of Understanding, the purpose of which is to provide assurance to the independent Non-Executive Directors that, notwithstanding Marlin's rights under the Framework Agreement, Marlin intends that the Board and Board Committees will remain capable of operating effectively and independently. The Framework Agreement contains a number of Parent Reserved Matters which may not be undertaken without the prior approval of Marlin. These include the declaration of dividends, the appointment and removal of Directors, the approval of significant transactions entered into by the Issuer and changes in the Issuer's capital structure, including reductions of capital, share issues and issues of other securities. The approval of Marlin has been obtained by the Issuer in relation to the issue of the Notes.

SUPERVISION AND REGULATION

EUROPEAN UNION LEGISLATION

The regulatory framework for banking and financial services within the UK is shaped to a large degree by legislation emanating from the EU. Regulations of the EU apply directly in Member States while directives are required to be implemented into national law by Member States.

Accordingly, the following key items of proposed or current EU law, which have particular relevance for the Group, are relevant for the Issuer as at the date of these Listing Particulars and, where noted, subsequent amendments to, or implementation of those laws, are expected to be relevant to the Issuer, as further described in "*Potential impact of Brexit*" below.

Capital Requirements Regulation and Directive

The Basel Committee on Banking Supervision (the "**BCBS**") introduced significant changes to the existing capital requirements framework for banks in December 2010, with further reforms agreed between 2010 and 2017, and the final reform package issued in December 2017. The intention of these new capital and liquidity requirements was to reinforce capital standards, with heightened requirements for global systemically important banks, and to establish minimum liquidity standards for credit institutions. The changes (referred to as the "**Basel 3 reforms**") include new requirements for a bank's capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer- term standards for funding liquidity (the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**" respectively).

The Basel 3 reforms have been implemented in the EU by Regulation (EU) No 575/2013 (the "**CRR**") and Directive 2013/36/EU (together with the CRR, "**CRD IV**") which were adopted by the European Parliament and European Council on 26 June 2013. Further Basel 3 reforms are set out in Regulation (EU) No. 2019/876 ("**CRR II**") and Directive (EU) 2019/878 (together, "**CRD V**"). CRD V entered into force on 27 June 2019. The majority of the amendments to CRD IV must be transposed into national law by 28 December 2020, and will apply immediately thereafter. The amendments to CRR will, however, apply from 28 June 2021 (subject to certain earlier applications and exemptions, including, among others, those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments which are already in effect). It is unclear whether (and if so, how) the UK Government will incorporate into UK law any provisions of CRD V that come into effect, or whether the UK Government will make provision for the binding technical standards that are expected to be made by EU institutions in connection with CRD V, in each case, after the end of the Brexit Transition Period. It is, therefore, not possible to say with certainty how the CRD V may affect the Group.

The final set of Basel 3 reforms, including reforms relating to the standardised and internal ratings based approaches for credit risk, and a revised output floor have not yet been implemented in the EU. The BCBS expects member countries to implement these reforms – sometimes referred to by industry as the Basel 3.1 reforms – by 1 January 2022 (with the exception of those relating to the output floor, which were to be phased in from 1 January 2022 until 1 January 2027). However, in response to the impact of Covid-19 on the global banking system, the BCBS announced on 27 March 2020 the deferment of the implementation date for the Basel 3.1 reforms until 1 January

2023, with the standards relating to the output floor being phased in from 1 January 2023 until 1 January 2028.

(A) Capital

A bank's ability to absorb losses is determined by the amount of capital it holds. Consequently, a bank's total assets and risk-weighted assets ("**RWAs**") determine the minimum capital that a bank is required to hold, with that capital calculated as a percentage of its RWAs. The three types of regulatory capital set out in the CRR are:

(i) Common Equity Tier 1 Capital ("**CET1 capital**"), including common equity (as well as any share premiums relating to such instruments) and retained earnings;

(ii) Additional Tier 1 capital, including deeply subordinated perpetual instruments issued in accordance with the requirements of the CRR (as well as any share premiums relating to such instruments); and

(iii) Tier 2 capital, comprising dated or perpetual subordinated instruments issued in accordance with the requirements of the CRR (as well as any share premiums relating to such instruments) and certain other risk-weighted exposure amounts.

The principal metrics used to assess capital strength are the CET1 ratio (CET1 capital: total risk exposure amount), total capital ratio, and the leverage ratio. The CRR sets out the minimum requirements ("**Pillar 1**") for institutions' own funds, including:

(i) a CET1 capital ratio of 4.5 per cent.;

(ii) a Tier 1 capital ratio of 6 per cent.; and

(iii) a total capital ratio of 8 per cent.

In addition to the Pillar 1 capital requirements, institutions are also subject to Pillar 2 requirements. This includes Pillar 2A (which is intended to take account of risks which are not adequately covered by Pillar 1 calculations) and Pillar 2B (which is intended to take account of risks including those to which institutions may become exposed over a forward-looking planning horizon). The level of capital required to be maintained by institutions under Pillar 2 are subject to ongoing review by the relevant competent authorities. In line with the CRD IV, the PRA requires UK banks to maintain a capital conservation buffer of CET1 capital equal to 2.5 per cent. of their total risk exposure amount. The PRA requires UK banks to maintain a countercyclical capital buffer of CET1 capital equal to their total risk exposure amount multiplied by their institution-specific countercyclical capital buffer rate (which consists of a weighted average of countercyclical buffer rates that apply to exposures in the jurisdictions where that firm's relevant credit exposures are located, calculated in accordance with a certain set of requirements). The UK's counter cyclical buffer rate, which is set by the FPC, was set 0 per cent. as of 11 March 2020, and the FPC currently expects to maintain that rate for at least 12 months from that date so that any subsequent increase would not take effect until March 2022 at the earliest.

(B) Liquidity

A bank's ability to manage shocks to the financial system is assessed by the extent to which its assets are covered by funding with equal or longer maturity. The principal metrics to assess bank funding and liquidity are the Net Stable Funding Ratio and Liquidity Coverage Ratio:

(i) The Net Stable Funding Ratio is a key component of the Basel 3 reforms (discussed above). The ratio seeks to calculate the proportion of long-term assets which are funded by long term, stable funding. The Basel framework states that a bank's Net Stable Funding Ratio must be at least 100 per cent. on an ongoing basis. The CRR II will implement a binding Net Stable Funding Ratio requirement from 28 June 2021.

(ii) The Liquidity Coverage Ratio is designed to ensure that financial institutions have the necessary assets available to withstand short-term liquidity disruptions. Banks are required to hold an amount of highly liquid assets equal to or greater than their net cash outflow over a 30 day period. The Liquidity Coverage Ratio was introduced in October 2015 and, following a phased implementation period, the full 100 per cent. minimum came into force on 1 January 2018.

(C) Leverage

The PRA has introduced leverage ratio requirements such that UK banks and building societies that have retail deposits equal to or greater than £50,000,000,000 must hold sufficient Tier 1 capital to maintain, at all times, a minimum leverage ratio of 3.25 per cent. For the purposes of complying with the leverage ratio requirements, at least 75 per cent. of the relevant firm's Tier 1 capital must consist of CET1 capital.

(D) Large exposures

The PRA also imposes restrictions on large exposures incurred by banks, and requires capital deductions for funding arrangements (including loans and guarantees) entered into with connected parties where those arrangements are of a capital nature.

Consumer Credit Directive

In April 2008, the European Parliament and the Council of the European Union adopted Directive 2008/48/EC (the "**Consumer Credit Directive**") which provides that, subject to exemptions, credit agreements involving a total amount of credit of €200 or more but not exceeding €75,000 will be regulated. The Consumer Credit Directive was implemented in the UK through a series of implementing regulations, including by way of amendments to the CCA and FSMA.

Among other things, the Consumer Credit Directive requires EU Member States to ensure that suppliers of consumer credit provide a comprehensible set of information to consumers in good time before a consumer credit agreement is entered into, with the aim of permitting consumers to compare consumer credit agreements more easily and better understand the features and obligations of such agreements. The pre-contractual information provided by creditors must follow a standardised format. In addition, EU Member States must implement two essential rights for consumers: (i) the right to withdraw from a credit agreement without giving any reason within a period of 14 days after the conclusion of the contract; and (ii) the right to repay his or her credit early at any time. In respect of the latter, the creditor is entitled to fair and objectively justified compensation for possible costs directly limited to early repayment of credit if the repayment falls within a period for which the borrowing rate is fixed.

Mortgage Directive

Directive 2014/17/EU (the "**Mortgage Directive**") was implemented by the United Kingdom with effect from 21 March 2016.

The Mortgage Directive applies in respect of: (a) credit agreements secured by a mortgage or comparable security commonly used in an EU Member State or the UK on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements, the purpose of which is to provide finance to purchase or retain rights in land or in an existing or proposed residential building. The Mortgage Credit Directive also amends the Consumer Credit Directive to extend it to apply in respect of unsecured credit agreements, the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000. The Mortgage Directive applies in respect of buy-to-let mortgages (among other things).

The Mortgage Directive sets out requirements relating to (among other things): (a) the inclusion of standard information in advertising; (b) the provision of standard pre-contractual information; (c) the provision of adequate explanations to borrowers in relation to credit agreements and ancillary services; (d) the calculation of the annual percentage rate of charge; (e) the assessment of creditworthiness of borrowers and the right of borrowers to make early repayment of the credit agreement. The Mortgage Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

For the most part, the UK Government has sought to put in place what it has described as the minimum requirements to meet its legal obligations under the Mortgage Directive in respect of BTL mortgages. The legislation provides that firms do not need to apply the UK Government's appropriate framework for BTL mortgages where a borrower is acting wholly or predominantly for the purposes of a business. HM Treasury has stated that they would expect consumer BTL activity to represent a small proportion of total BTL transactions. Generally speaking, the Mortgage Directive does not apply to credit agreements existing before 21 March 2016. However, the UK's implementation of the Mortgage Directive also operates retrospectively to regulate certain credit agreements secured on land that were in existence at 21 March 2016, including existing second charge mortgages.

European Market Infrastructure Regulation

Regulation (EU) No 648/2012 ("**EMIR**") was adopted by the European Parliament and European Council on 4 July 2012. EMIR provides for certain over-the-counter ("**OTC**") derivative contracts to be submitted to central clearing and imposes, among other things, margin posting and other risk mitigation techniques, reporting and record keeping requirements. Certain changes to EMIR have been introduced by the EMIR Refit Regulation (Regulation (EU) No. 2019/834) and EMIR

2.2 (Regulation (EU) No. 2019/2099). The Issuer is a category 3 firm for the purposes of EMIR and has been required to centrally clear OTC derivatives since 18 October 2019.

Bank Recovery and Resolution Directive

(A) Implementation

The BRRD entered into force on 2 July 2014. EU Member States were required to implement the BRRD by 31 December 2014, and to put the majority of provisions of that Directive into effect by 1 January 2015. The BRRD provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies The UK implemented the BRRD through a mixture of legislative provisions (including by way of amendments to the Banking Act), new rules in the PRA Rulebook and the FCA Handbook, and amendments to HM Treasury's Special Resolution Regime Code of Practice.

Under the BRRD, resolution authorities are given resolution powers to seek to ensure these results. These include the powers to transfer the shares or assets of a failing bank to a third party, a bridge institution established for the purpose or an asset management vehicle and to bail-in the bank's liabilities (either to write them down or to convert them into equity).

Additionally, the BRRD requires banking groups, and their regulators, to plan for how they might be rescued or resolved in a crisis scenario, including by making so-called 'living wills', and to take into account the competent authority's resolution powers when they issue capital and other debt instruments and enter into agreements creating liabilities.

The powers extended to regulators designed to aid early intervention in failing banks include the ability to remove and replace members of the board, implement measures identified in an institution's recovery plan, appoint special managers, and require changes to the operational and/or legal structure of the institution.

On 14 May 2019, the Council of the EU adopted Directive (EU) 2019/879, which amends the BRRD ("**BRRD II**"). BRRD II entered into force on 27 June 2019. EU Member States and the UK must transpose BRRD II into law by no later than 28 December 2020.

(B) Minimum requirement for own funds and eligible liabilities

In June 2018, the Bank of England published a statement of policy regarding its approach to setting MREL requirements. Its policy is designed to ensure firms have sufficient loss absorbing capacity and to ensure continuity of critical functions without making recourse to public funds and to facilitate the use of the bail-in tool in a resolution scenario. MREL is set annually on a case-by-case basis by the Bank of England and the requirement for firms to meet MREL is being phased in between 1 January 2016 and 1 January 2022, subject to a review by the end of 2020.

The Bank of England has published actual requirements for 2019 and indicative requirements for 2020-21 and 2022 for total capital requirements, MREL and loss-absorbing capacity requirements for the UK's systemically important banks and building societies, as well as average MREL requirements and loss-absorbing capacity requirements for certain other non-systemically important UK banks and building societies which are within the scope of stabilisation powers. As regards banks that are not systemically important, the indicative MREL requirement and loss-absorbing capacity requirement for 2020-21 are 18.6 per cent. of RWAs, and 22.1 per cent. of RWAs, respectively, and for 2022 are 23.4 per cent. of RWAs and 26.9 per cent. of RWAs, respectively. From 2020 onwards, the Bank of England intends to publish individuals MREL requirements, rather than an average, for all firms with an indicative MREL above capital requirements.

The Bank of England required these banks and building societies to meet an interim MREL requirement from 1 January 2020, and requires them to meet a final MREL requirement from 1 January 2022**.** The MREL requirements set for each bank and building society will depend on a number of factors, including (but not limited to) changes to the bank or building society and its balance sheet, the preferred resolution strategy applicable to the relevant bank or building society and any change in PRA or international policy that changes the way risk-weighted assets or the exposure measure of the leverage ratio is assessed.

For more information see the risk factor entitled "*The Group's business is subject to the potential impact of UK and EU banking reform initiatives.*" in the "Risk Factors" section above.

(C) Contractual recognition of bail-in

Article 55 of the BRRD introduced a new requirement (the "**Article 55 Requirement**") in respect of contracts relating to the liabilities of an institution established in the EEA or the UK (such as the Issuer (including its branches)) which are governed by the law of a jurisdiction other than an EEA Member State or the UK. EEA Member States and the UK must require institutions to ensure that such contracts contain a term whereby the creditor or party to the agreement creating the liability recognises that the liability may be subject to the write-down and conversion powers, and agrees to be bound by any reduction of the principal or outstanding amount due, conversion or cancellation that is effected by the exercise of those powers. Failure to include such a contractual term shall not prevent the resolution authority from exercising the write-down and conversion powers in respect of the relevant liability.

The Article 55 Requirement has been implemented in the UK by way of rules in the Contractual Recognition of Bail-In Part of the PRA Rulebook. That Part provides that those rules do not apply in respect of for certain liabilities in circumstances where compliance was adjudged impracticable. The PRA has indicated in a policy statement on amendments to the Contractual Recognition of Bail-In Part of its Rulebook that it expects firms to make their own reasoned assessment with regard to impracticability. However, it remains open to the PRA to comment on the approach of the Issuer and/or other members of the Group to complying with the Article 55 Requirement. Any subsequent comments from the PRA in this regard could lead the Issuer and/or other members of the Group to be required to renegotiate relevant contracts, which could increase costs for the Group.

BRRD II will amend Article 55 of the BRRD to provide certain limited exemptions to the existing requirements relating to the contractual recognition of bail-in of instruments governed by the law of a third country (i.e. non-EEA Member State and non-UK governing law), including where it is legally or otherwise impracticable to include such a contractual term in certain liabilities. It remains to be seen how these changes will be implemented in UK law or what the attitude of national competent authorities will be to the new exemptions.

BRRD II will, from 28 December 2020, amend Article 55 of the BRRD (as implemented) to provide certain limited exemptions to the existing requirements relating to the contractual recognition of bail-in of instruments governed by the law of a third country (i.e. non-EEA and non-UK governing law), including where it is legally or otherwise impracticable to include such a contractual term in certain liabilities. It remains to be seen how these changes will be implemented in domestic law or what the attitude of national competent authorities including the PRA will be to the new exemptions.

Despite the forthcoming amendments to Article 55 of the BRRD, there remains a risk that the contractual recognition of bail-in requirement could affect the ability of the Group's to raise and maintain funding under contracts governed by a law other than UK law or the law of an EEA Member State or, after the end of the Brexit Transition Period, a law other than UK law. This could give rise to a competitive disadvantage for the Group relative to its competitors, impact funding in periods of stress and give rise to additional operational requirements. The Group's assessment of impracticability and therefore its implementation may change over time. There is also a risk that the authorities could disagree with the Group's assessment of impracticability and impose regulatory sanctions and / or require further implementation.

Markets in Financial Instruments Regulation and Directive

Directive 2014/65/EU and Regulation 600/2014 (together, "MiFID II") repealed and recast Directive 2004/39/EC. entered into force on 2 July 2014. MiFID II introduced a variety of changes to the banking sector's market infrastructure and conduct rules, with the majority of provisions under MiFID II having entered into force in the UK and all EU Member States on 3 January 2018. MiFID II prohibits firms that provide advice on an independent basis from accepting or receiving fees, commissions or any other monetary benefits paid or provided by any third party, and also introduces new investor protection measures which include product governance requirements and enhanced suitability requirements.

Deposit Guarantee Schemes Directive

Directive 2014/49/EU (the "**DGSD**") requires the UK and each EU Member State to implement at least one deposit guarantee scheme, covering those deposits, in those situations and those amounts, set out in that Directive. The DGSD also imposes requirements on the operation of these deposit guarantee schemes, including in relation to mandatory part pre-funding of deposit guarantee schemes, a requirement that deposit guarantee schemes repay customers within seven working days, and a requirement for banks to be able to provide pertinent information at any time. The FSCS is the UK's deposit guarantee scheme.

Payment Services Directive

Directive (EU) 2015/2366 ("**PSD2**") is a further step towards the harmonisation of the regulatory regime for payment services across the EU following on from the Directive 2007/64/EC (the "**Original Payment Services Directive**") adopted by the EU in 2007. The Original Payment Services Directive aimed to bring cross-border payments within the EU in line with the level of security and efficiency of payments made within a member state. PSD2 builds on this by requiring businesses which provide payment services to, among other things:

(a) open up third-party access to account information;

(b) improve consumer rights, including in relation to complaints handling and by introducing new rules on surcharging and interchange fees; and

(c) enhance security through the introduction of strong customer authentication and reporting of fraud in payment transactions.

The UK has implemented PSD2 by way of the Payment Services Regulations 2017 (SI 2017/752) (the "**PSRs 2017**"). The rules on strong customer authentication were to apply from 14 September 2019. The FCA initially agreed an additional 18 month rollout period to 14 March 2021 under the PSRs 2017 for 'card-not-present e-commerce transactions' where firms can demonstrate they have taken steps to comply with the UK Finance co-ordinated plan. However, in response to the Covid-19 crisis, on 30 April 2020 the FCA announced a six month extension to that deadline under the Payment Services Regulations 2017 to 14 September 2021. A shorter deadline of 14 March 2020 applied in respect of the strong customer authentication standard for online banking.

General Data Protection Regulation

Regulation (EU) 2016/679 (the "**GDPR**") came into force on 25 May 2018. The GDPR brought about material changes to the way data processors are regulated and affects marketing processes, particularly with respect to requirements relating to the procurement of a customer's consent to the use of his or her personal data.

The GDPR expanded the territorial reach of data protection legislation beyond the borders of the EU and requires data controllers to map their data processes, ensuring demonstrable compliance with the provisions of the regulation. The GDPR also imposes more onerous breach reporting obligations and tougher penalties for compliance failures, with the maximum fine for certain compliance failures increasing to the greater of €20,000,000 or up to four per cent. of annual worldwide turnover.

Anti-money laundering

EU member states were required to transpose Directive (EU) 2015/849 (the "**4MLD**") by 26 June 2017. The 4MLD made changes to the requirements relating to customer due diligence and the central register of beneficial ownership, introduced enhanced measures for politically-exposed persons, removed the automatic exemption from customer due diligence, and introduced a requirement to apply group-wide policies and procedures to branches and majority-owned subsidiaries located in countries outside of the EU. The 4MLD also introduced a risk-based approach to customer due diligence. The 4MLD has been transposed into UK law by virtue of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (the "**MLRs 2017**").

Directive (EU) 2018/843 ("**5MLD**") came into effect on 9 July 2018 and EU member states were required to transpose the 5MLD into national law by 10 January 2020. Although the changes introduced by the 5MLD are not as extensive as those introduced by the 4MLD, the 5MLD contains some notable introductions including the extension of the scope of the regime to include virtual currencies and pre-paid cards, improved safeguards for financial transactions to/from high risk third countries, and provisions aimed at ensuring that centralised national bank and payment account registers or central data retrieval systems are accessible by relevant parties in all EU member states. HM Treasury has implemented the MLD5 through amendments to the MLRs 2017.

Potential impact of Brexit

Under the terms of the Withdrawal Agreement, the UK withdrew from membership of the EU on 31 January 2020 and entered into the Brexit Transition Period, which is due to expire on 31 December 2020 (unless extended). During the Brexit Transition Period, most EU law is applicable to the UK, and produces in respect of and in the UK the same legal effects as those which it produces in respect of and in any EU Member State. Following the end of the Brexit Transition Period, subject to any agreement concluded between the UK and the EU regarding their future relationship, the EUWA is expected to "onshore" most EU law as it standards at the end of the Brexit Transition Period into UK law and preserve the laws made in the UK to implement EU obligations. The EUWA also gives the UK Government the power to remedy deficiencies in retained EU legislation.

The ultimate impact of EU law that would otherwise come into effect or be transposed in the UK following the end of the Brexit Transition Period, is currently uncertain. This is the case for the majority of the provisions of CRD V which are yet to come into effect or be transposed into UK law. While the EUWA will, in accordance with its terms, "onshore" most EU law as it stands at the end of the Brexit Transition Period (subject to any extension which may or may not be agreed between the UK and the EU) into UK law and preserve the laws made in the UK to implement EU obligations, the future relationship of the UK and EU remains unclear. As a result, although the EUWA should ensure the effects of CRD IV, the CRR and the BRRD apply to the Group post-Brexit, there is no guarantee in regards to CRD V. However, on 11 March 2020, the Chancellor of the Exchequer announced in the 2020 Budget that, among other things, the UK Government would introduce a Financial Services Bill later in the 2019-2020 session of Parliament, which would enable the implementation of, among other things, the provisions in CRR II that apply in the EU from June 2021. Therefore, while Basel III and CRD V could materially increase the Group's cost of doing business it is not possible to be certain as to the extent to which this may be the case.

UK REGULATION

Key Regulatory Bodies

(A) The Prudential Regulation Authority

The PRA is an independent subsidiary of the Bank of England, which has responsibility for the micro-prudential regulation of deposit-takers (including banks, building societies and credit unions (which includes the Issuer)), insurers and investment firms that have the potential to present significant risks to the stability of the financial system and that have been designated for supervision by the PRA. The PRA's functions are exercised through the Bank of England's Prudential Regulation Committee.

In discharging its functions, the PRA's general objective is promoting the safety and soundness of PRA-authorised firms. The PRA is required to advance this objective primarily by seeking to: (i) ensure that the business of PRA- authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and (ii) minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system. Additionally, the Banking Reform Act 2013 introduced, from 1 January 2019, additional requirements on how the PRA is to advance its general objective in relation to certain matters related to ring-fenced bodies.

When discharging its general functions in a way that advances its objectives, the PRA must, so far as is reasonably possible, act in a way which, as a secondary objective, facilitates effective competition in the markets for services provided by PRA-authorised firms carrying on regulated activities.

(B) The Financial Conduct Authority

The FCA has responsibility for conduct of business regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA. The FCA also exercises certain market regulatory functions, and it represents the UK's interests in markets regulation at the European Securities and Markets Authority.

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

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

The FCA also has competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are concurrent with those of the Competition and Markets Authority.

(C) The Payment Systems Regulator

The Banking Reform Act 2013 required the FCA to establish a body corporate to regulate payment systems (the "**Payment Systems Regulator**"). The Payment Systems Regulator was established on 1 April 2014 and became fully operational in April 2015. The Payment Systems Regulator operates under the FCA but has separate duties and powers, with its regulatory tools including legislation, rules issued by it ("general directions" and "requirements"), written guidance, decisions and the determination of general policies and principles (by reference to which it performs particular functions). When utilising its regulatory tools in order to discharge its duties, the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payments system objectives.

(D) The Competition Markets Authority

The Competition Markets Authority ("**CMA**") is an independent non-ministerial department, responsible for matters such as: (i) investigating mergers which could restrict competition; (ii) conducting market studies and investigations in markets where there may be competition and consumer problems; and (iii) investigating possible breaches of UK / EU prohibitions against anti-competitive agreements and abuses of a dominant position.

(E) The Financial Policy Committee

The Financial Policy Committee (the "**FPC**") is part of the Bank of England and has the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC has a secondary objective to support the economic policy of the UK Government, including its objectives for growth and employment. The FPC's activities are relevant to the Issuer.

(F) Resolution Authority

The Bank of England acts as the UK's resolution authority for banks, building societies and certain investment firms and is therefore responsible for taking action to ensure the continuity of essential services of such financial institutions in circumstances where such financial institutions have encountered, or are likely to encounter, financial difficulties and to manage the failure of such financial institutions in an orderly way. The Bank of England has numerous resolution tools, including (by way of non-exhaustive example, and subject to conditions and qualifications): the power to direct the sale of the relevant financial institution or the whole or part of its business; the power to transfer all or part of the business of the relevant financial institution to a "bridge institution"; the power to separate assets by transferring certain assets to a separate vehicle; and a debt write down (or bail-in) tool.

Financial Services and Markets Act 2000

The central piece of financial services legislation in the UK is FSMA. Crucially, FSMA prohibits any person from carrying on a "regulated activity" by way of business in the UK unless that person is authorised or exempt under FSMA. Regulated activities include deposit-taking, effecting and carrying out contracts of insurance as well as insurance mediation, consumer finance activities (including entering into regulated mortgage contracts as well as unsecured regulated credit agreements) and investment activities (such as dealing in investments as principal or as agent, arranging deals in investments and advising on or managing investments). FSMA also prohibits financial promotions in the UK unless the financial promotion is issued or approved by an authorised firm or is exempt from such requirements.

The following sections set out some of the key elements of FSMA for a UK-authorised bank.

(A) Threshold conditions

Authorised firms must at all times meet certain "threshold conditions" specified by FSMA. Dual-regulated firms, such as the Issuer, must meet both the PRA and FCA threshold conditions. The FCA threshold conditions are, in summary, that: (i) a firm's head office and in particular its mind and management must be in the UK if it is incorporated in the UK; (ii) the firm is capable of being effectively supervised by the FCA; (iii) the firm maintains appropriate non-financial resources, having regard to the FCA's operational objectives; (iv) the firm itself is fit and proper, having regard to the FCA's objectives; and (v) the firm's strategy for doing business is suitable, having regard to the FCA's operational objectives.

The PRA threshold conditions require, in summary, that: (i) a firm is either a body corporate or partnership; (ii) a firm's head office and in particular its mind and management must be in the UK if it is incorporated in the UK; (iii) the firm must conduct its business in a prudent manner, which includes having appropriate financial and non-financial resources; (iv) the firm itself is fit and proper, having regard to the PRA's objectives; and (v) the firm is capable of being effectively supervised by the PRA.

(B) Change of control

Under FSMA, if a person (whether acting alone or in concert with another) intends to acquire or increase its "control" of a UK authorised person, it must first notify the appropriate regulator (being, for PRA-authorised firms, the PRA, and, otherwise, the FCA). The regulator must then decide whether to approve the acquisition or increase of control within 60 working days after receipt of this notice (assuming it has been provided with a complete application) (the "**Assessment Period**"). The regulator is permitted to make requests for information during the Assessment Period. The first such request made, provided it is no later than the 50th working day of the period, will "stop the clock", from the date of the request until the date the regulator receives the requested information, for up to 30 working days. These timings can have a significant influence on the timing of any corporate M&A transaction involving a target that is a UK authorised person.

The regulator will not approve any new controller or any increase of control without being satisfied that the controller is financially sound and suitable to be a controller of, or acquire increased control of, the UK authorised person. Acquiring control for the purposes of FSMA includes where a person first holds 10 per cent. or more of the shares or voting power in an authorised person or its parent undertaking, and/or where a person acquires shares or voting power in an authorised person or its parent undertaking as a result of which it is able to exercise significant influence over the management of the authorised person. A person will be treated as increasing its control over a UK authorised person, and therefore require further approval from the PRA or FCA, if the level of their shareholding or entitlement to voting power increases from a holding below certain thresholds to a holding above them. The thresholds are 10 per cent., 20 per cent., 30 per cent. or 50 per cent. of shares or voting power.

When determining a person's level of control, that person's holding of shares or entitlement to voting power will be aggregated with the holdings or entitlements of any person with whom they are "acting in concert".

An acquisition or increase of control without PRA or FCA approval (as applicable) is a criminal offence.

(C) FCA/PRA Handbooks and other guidance

The detailed rules and guidance made by the PRA and the FCA under the powers given to them by FSMA are contained in the PRA Rulebook and the FCA Handbook (defined below) respectively, and are supplemented by additional guidance materials. Once authorised, and in addition to continuing to meet the threshold conditions described above, firms are obliged to comply with, among other things, the Principles in the Principles for Businesses Sourcebook of the FCA Handbook of Rules and Guidance (the "**FCA Handbook**") and, if a dual-regulated firm, the rules in the Fundamental Rules Part of the PRA Rulebook, which include requirements to: (i) conduct their business with integrity and due skill, care and diligence; (ii) treat customers fairly; and (iii) communicate with customers in a manner that is clear, fair and not misleading. The eight Fundamental Rules and 11 Principles are set out in the PRA Rulebook and FCA Handbook respectively.

Other parts of the PRA Rulebook and FCA Handbook which are of particular relevance to the Group include the Senior Management Arrangements, Systems and Controls sourcebook, the Consumer Credit sourcebook, Code of Conduct sourcebook, the Banking Conduct of Business sourcebook, the Supervision sourcebook, the Dispute Resolution: Complaints sourcebook, and those provisions which deal with prudential requirements.

Enforcement

The PRA and the FCA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within them. The sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation or variation of a firm's permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm. They can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or that fails to meet the threshold conditions.

If a financial services firm wishes to challenge any decision of the PRA or the FCA, it would usually make formal representations and/or bring its case before the Upper Tribunal.

Consumer credit regulation

Responsibility for consumer credit transferred from the Office of Fair Trading ("**OFT**") to the FCA on 1 April 2014. The framework for consumer credit regulation comprises the FSMA and its secondary legislation, retained provisions of the CCA and rules and guidance in the FCA Handbook, in particular in the CONC (which sets out, among other things, general conduct standards, rules on financial promotions, further rules on pre- and post- contractual requirements, responsible lending rules and debt advice rules).

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

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

Finally, the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2014 (SI 2014/366), which repealed parts of the CCA, required the FCA to review the retained provisions of the CCA and, in particular, whether repealing the retained provisions would adversely affect the appropriate degree of protection for consumers. The FCA published an interim report on 2 August 2018 in a discussion paper (DP 18/7), and published its final report with recommendations in March 2019. This included proposals to retain certain CCA provisions and replace others with FCA rules (for example, certain provisions relating to information requirements). Having been presented to Parliament, the decision about the future of such CCA provisions now lies with the UK Government.

Financial Services Compensation Scheme

FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Broadly speaking, the aims of compensation payments are to provide redress for customers who are least able to sustain financial loss and therefore to assist in promoting consumer confidence in the financial system.

The actual level of compensation paid by the FSCS depends on the basis of claim. The FSCS only pays compensation for financial loss. Compensation limits apply on a "per person per firm" and "per claim category" basis.

The maximum levels of compensation in respect of the different types of claim which can be made are as follows:

(a) Deposits: £85,000 per person per firm or up to £170,000 for joint accounts (for claims against firms declared in default after 1 January 2017). There is also a £1,000,000 protection limit for temporary high balances held with a bank, building society or credit union in certain situations (e.g. where this represents proceeds from the sale of a primary residence).

(b) Investments: £85,000 per person per firm (for claims against firms declared in default from 1 April 2019).

(c) Home finance (e.g. mortgage advice and arranging): £85,000 per person per firm (for claims against firms declared in default from 1 April 2019).

(d) Insurance business: Claims under long-term insurance, compulsory insurance, professional indemnity insurance and certain claims for injury, sickness or infirmity of the policyholder are 100 per cent. protected and other types of claim are 90 per cent. protected with no upper limit (for claims against firms declared in default from 3 July 2015).

(e) General insurance advice and arranging: Claims under compulsory insurance are 100 per cent. protected and other types of claim are 90 per cent. protected with no upper limit (for business conducted on or after 14 January 2005).

Financial Ombudsman Service

FSMA established the Financial Ombudsman Services (the "**FOS**") which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from a regulated firm. The jurisdiction of the FOS extends to banks and consumer finance firms. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The definition of eligible persons was widened from 1 April 2019 to extend access to the FOS to more small and medium-sized enterprises, charities and trusts. The FOS may also make directions (which direct the business to take such steps as the FOS considers just and appropriate).

At present, the maximum monetary award which may be awarded by the FOS is £350,000 (excluding any interest and costs) for complaints about acts or omissions by firms on or after 1 April 2019, and £160,000 for complaints about acts or omissions by firms before 1 April 2019, and which are referred to the FOS after that date. From 1 April 2020 onwards, both award limits will be automatically adjusted on 1 April each year to ensure they keep pace with inflation.

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable in all circumstances of the case. In this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

FCA regulation of regulated mortgages

The Mortgage Credit Directive (2014/17/EU) ("**MCD**") applies to first and second charge mortgages and was implemented in the UK on 21 March 2016. The UK government built on the existing UK regulatory regime in its transposition of the MCD rather than copying it out into UK legislation. Consequently, the transposition of the MCD was achieved primarily through changes to FCA rules and guidance.

The FCA regulates the provision of "regulated mortgage contracts" (defined in Article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)).

The Mortgages and Home Finance: Conduct of Business sourcebook in the FCA Handbook, issued in October 2003, sets out rules for regulated mortgage activities which cover, among other things, pre- and post-contract sales disclosures, contract changes, arrears and repossessions, and charges. The FCA's prudential sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries also includes requirements relating to the maintenance of capital resources by mortgage intermediaries and the allocation of responsibility for a firm's insurance distribution and/or mortgage credit intermediation activities to a specific director or senior manager.

In June 2016, the FCA published a consultation paper (CP 16/16), which considered the approach to customers experiencing a payment shortfall and proposed changes to the allocation of payments. A policy statement, PS 16/25, was published by the FCA on 14 December 2016 on the allocation of payments received by customers with a payment shortfall and amending the definition of "payment shortfall". The new rules came into effect on 15 December 2016. In April 2017, the FCA also published finalised guidance on the fair treatment of mortgage customers in payment shortfall and the impact of automatic capitalisation (FG 17/4).

In January 2018, the FCA published its thematic review on the fair treatment of existing interest-only mortgage customers (TR 18/1). The review found that progress in this area had been made by lenders, and did not propose immediate new regulation. Instead, the FCA published a customer communication alongside TR 18/1 encouraging interest-only mortgage customers to contact their lenders as early as possible to discuss interest-only repayment options. In December 2018, the FCA published findings of a thematic review (TR 18/5) on the management of long-term mortgage arrears and forbearance.

In May 2018, the FCA issued an interim report on the mortgages market study (MS 16/2.2), with its final report published on 26 March 2019. The final report proposed certain remedies for the mortgage market, with the FCA proposing new lending rules on how lenders assess whether or not a customer can afford to switch to a new loan in CP 19/14 (March 2019) (which were implemented with immediate effect through PS 19/27 (October 2019)), and consulting on changes to advice rules and guidance that would reduce barriers to innovation in mortgage distribution in CP 19/17 (May 2019). The FCA responded to CP 19/17 on 1 January 2020, through PS 20/1, and the final rules were brought into effect on 31 January 2020.

Operational resilience

The FCA, PRA and the Bank of England have proposed new rules and guidance to strengthen the operational resilience of financial institutions, including UK banks. The draft FCA and PRA rules and guidance, which are under consultation until 1 October 2020, will require firms to identify business services on which they depend, and which, if interrupted, could cause harm to consumers or market integrity, threaten the viability of firms and/or cause instability in the financial system. Under the draft rules, firms will be required, among other things, to set tolerances for disruption of those services and to remain within those tolerances.

Other relevant legislation and regulation

(A) Payment Services Regulations

Under the Payment Services Regulations 2017, the FCA is responsible for regulating payment services in the UK. The Payment Services Regulations 2017 establish an authorisation regime, which requires payment service providers either to be authorised or registered with the FCA. The Payment Services Regulations 2017 also contain certain rules about the provision of payment services with which payment service providers must comply, including rules concerning obtaining consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users, and liability of payment services providers where things go wrong.

(B) UK Money Laundering Regulations

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (the "**MLRs 2017**"), which came into force on 26 June 2017 and were amended on 20 December 2019 to implement the 5MLD, require the Issuer to (among other things) verify the identity of customers during the on-boarding process and to keep records to help prevent money laundering and fraud. Guidance in respect of firms' anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group.

(C) UK Bribery Act 2010 (the "**Bribery Act**")

The Bribery Act contains offences relating to bribing another person, accepting bribes and bribing foreign public officials. It also contains an offence for commercial organisations of failing to prevent bribery by persons associated with them. The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent persons associated with them from engaging in such activity.

(D) Data Protection Act 2018 (the "**DPA**")

The DPA supplements the GDPR and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the EU Data Protection Directive (Directive (EU) 2016/680) into UK law. Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA.

(E) Consumer Rights

The main provisions of the Consumer Rights Act 2015 ("**CRA**") came into force on 1 October 2015. Among other things, it deals with unfair contract terms and consumer notices. The main effect of this legislation is to consolidate and reform the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarify the remedies that consumers have.

In the UK, the Unfair Terms in Consumer Contracts Regulations 1994 applied to all mortgage loans that were entered into between 1 July 1995 and 30 September 1999. These regulations were revoked and replaced by the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083) (the **"UTCCR**") on 1 October 1999, which applied to all mortgage loans as of that date. The UTCCR generally provided that:

(a) a borrower may challenge a term in an agreement on the basis that it is an "unfair" term within the UTCCR and, therefore, not binding on the borrower (although the agreement itself continues to bind the parties if it is capable of continuing in existence without the unfair term); and

(b) the CMA and any "qualifying body" (as defined in the regulations, such as the FCA) may seek to prevent a business from relying on unfair terms.

The CRA significantly reforms and consolidates consumer law in the UK and re-implements the Unfair Contract Terms Directive (Directive 93/13/EEC) (the "**Unfair Contract Terms Directive**") into UK law. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. When the unfair contract terms regime of the CRA came into force it revoked the UTCCR and introduced a new regime for dealing with unfair contractual terms as follows:

(a) under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft, or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer;

(b) a term in a consumer contract may not be assessed for fairness to the extent that: (i) it specifies the main subject matter of the contract; or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, to the extent that such term is transparent and prominent; and

(c) a trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent (i.e. that it is expressed in plain and intelligible language and is legible). Where a term in a consumer contract is susceptible to multiple different meanings, the meaning most favourable to the consumer will prevail.

The CMA and the FCA have powers to challenge unfair terms in financial services consumer contracts as a regulator under the CRA. They may seek an undertaking from the firm not to use an unfair contract term in its consumer contracts or apply to the court for an injunction from using the unfair term or enforcing the term against customers. In December 2018, the FCA published FG 18/7 on fairness of variation terms in financial services consumer contracts under the CRA, outlining the areas to which firms should have regard when drafting variation terms to ensure their fairness under the CRA.

(F) Criminal Finances Act

With effect from 30 September 2017, the Criminal Finances Act 2017 introduced a new criminal offence for businesses that fail to take adequate steps to prevent their associates (employees, agents or other persons who perform services for or on behalf of the business concerned) from facilitating tax evasion. Only where the business has put in place reasonable prevention procedures to prevent facilitation of tax evasion by their associates will it have a defence. HMRC has published guidance on the types of processes and procedures that may be put in place by businesses to limit the risk of representatives criminally facilitating tax evasion.

(G) Modern Slavery Act

The Modern Slavery Act 2015 requires bodies corporate or partnerships supplying goods or services with a total global annual turnover of £36,000,000 or more that are carrying out a business, or part of a business, in the UK to publish a slavery and human trafficking statement each financial year. The total turnover is calculated taking into account the turnover of any subsidiary undertakings.

Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the "**SM&CR**"), has applied to banks, such as the Issuer, since 7 March 2016, and insurers since 10 December 2018. From 9 December 2019, the SM&CR was extended to solo-regulated firms (including insurance intermediaries, mortgage lenders and brokers, and consumer credit firms). The SM&CR is intended to enhance personal responsibility for senior managers, as well as raise standards of conduct of key staff more broadly, supported by robust enforcement powers for the regulators. The regime consists of three main elements: (i) the Senior Managers Regime; (ii) the Certification Regime; and (iii) the **Conduct Rules**.

(A) Senior Managers Regime:

The Senior Managers Regime focuses on individuals who carry out certain specified senior management functions for the firm (i.e. individuals who hold key roles or have overall responsibility for business areas of the firm in question). These individuals are required to be approved by the PRA and/or the FCA (depending on the nature of their role) prior to performing senior management functions, are subject to ongoing fitness and propriety assessments and have a statutory duty of responsibility to take reasonable steps to prevent regulatory breaches occurring in their areas of responsibility. Firms must ensure that each senior manager has a statement of responsibilities setting out the areas for which they are personally accountable, and their allocated prescribed responsibilities. Certain firms (including UK banks) must produce a management responsibilities map describing their management and governance arrangements.

(B) Certification Regime:

The Certification Regime applies to employees who, while not senior managers, could pose a risk of significant harm to the firm and/or its customers. Such individuals must be certified by the firm to be fit and proper to carry out their roles both when taking up that role and on a continuing basis thereafter.

(C) Conduct Rules:

The conduct rules are high-level requirements that apply to all employees (except ancillary staff who perform a role that is not specific to the financial services business of the firm) of firms within the scope of the SM&CR. There are specific, additional conduct rules that apply to senior managers (and, to a more limited extent, non-executive directors who do not perform senior management functions).

The Banking Reform Act introduced a new criminal offence of reckless misconduct in the management of a bank that applies in respect of misconduct by a senior manager that leads to the failure of a bank. In summary, it applies where a senior manager takes a decision, or fails to take steps to prevent a decision, by or on behalf of a bank, the implementation of which causes the bank's failure (or the failure of another bank in its group). The offence relates to decisions taken on or after 7 March 2016, and, in order to establish the offence, it would be necessary to show the senior manager was aware of a risk that implementing the decision may cause the bank (or another bank in its group) to fail and his conduct in relation to the taking of the decision fell far below that reasonably expected of a person in his position.

LIBOR transition

A voluntary agreement was made with the London Inter-Bank Offered Rate ("**LIBOR**") panel banks to continue to submit to LIBOR until the end of 2021 and, therefore, LIBOR may not be available from that date. UK banking groups (and other financial and non-financial institutions) continue to prepare for the transition from the LIBOR to alternative rates, including the Sterling Overnight Index Average, and the PRA and the FCA are stepping up their engagement with affected firms on this matter.

TAXATION

United Kingdom

The comments below are of a general nature and are not intended to be exhaustive. The following applies only to persons who are the beneficial owners of Notes and who hold those Notes as investments, and is a summary of the Issuer's understanding of current UK law and published HM Revenue and Customs ("HMRC") practice (which may not be binding on HMRC) relating only to UK withholding tax. It does not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders 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.

Interest on the Notes

For so long as the Notes are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007 (the "**ITA 2007**"), or are admitted to trading on a "multilateral trading facility" operated by an "EEA-regulated recognised stock exchange" within the meaning, in each case, of Section 987 of the ITA 2007, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax. Euronext Dublin is a recognised stock exchange for these purposes. Notes will be treated as listed on Euronext Dublin if they are included in the Official List by Euronext Dublin and admitted to trading on the Global Exchange Market.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction to the contrary received by the Issuer from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any relief which may apply under domestic law.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. In the event any withholding were to be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V. and Deutsche Bank AG, London Branch (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 8 July 2020, agreed jointly and severally to subscribe or procure subscribers for the Notes 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 of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer. The Notes are expected to be purchased by a limited number of initial investors, one or more of whom may hold a significant proportion of the total issuance.

Selling restrictions

United States

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

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their 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, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes 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.

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

UK

Each of the Joint Lead Managers 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

EEA and 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 Notes to any retail investor in the European Economic Area or 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 (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.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of these Listing Particulars or of any other document relating to any Notes be distributed in Italy, except, in accordance with the exceptions provided under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") and with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes, and has not distributed and will not distribute any copy of these Listing Particulars or any other document relating to the Notes, in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and applicable Italian laws, including of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and implementing CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of the CONSOB Regulation No. 11971 of 14 May 1999, as amended, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Listing Particulars or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time; (ii) comply with any other applicable laws and regulations or requirement imposed from time to time by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

Switzerland

These Listing Particulars are not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland.

Neither these Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither these Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Singapore

These Listing Particulars have 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 Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, these Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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 (Chapter 289 of Singapore), as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA;

(ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Notification under Section 309B(1)(c) of the SFA: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

No action has been taken by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Joint Lead Managers has severally undertaken that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes these Listing Particulars (in preliminary, proof or final form) or any such other material.

GLOSSARY

This section contains a glossary of certain terms used in these Listing Particulars.

Average principal employed	calculated as the average of monthly closing loans and advances to customers, net of impairment provision, from the Group's financial reporting and management information systems, including operating leases, which are classified as property, plant and equipment in the Group's statutory accounts.
CET1 ratio	calculated as common equity tier 1 capital divided by risk-weighted assets at the Group level.
Cost/income ratio	calculated as underlying administrative expenses plus provisions for liabilities and charges, divided by underlying net operating income.
Cost of risk	calculated as impairment losses on financial assets divided by average principal employed.
Leverage ratio	calculated as tier 1 capital divided by the sum of total assets (excluding intangible assets and including adjustments for certain off balance sheet items such as pipeline and undrawn collateral).
Loans and advances to customers	presented net of impairment provision and includes operating leases, which are classified as property, plant and equipment in the Group's statutory accounts.
Net interest margin	calculated as underlying net operating income divided by average principal employed.
Return on lending assets before tax	calculated as underlying profit before taxation divided by average principal employed.
Total capital ratio	calculated as total regulatory capital divided by risk-weighted assets at the Group level.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer passed on 19 March 2020 and a resolution of a committee of the Board of Directors of the Issuer passed on 19 June 2020.

Listing

This document has been filed with Euronext Dublin as Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM which is the exchange regulated market of Euronext Dublin. The GEM is not a regulated market for the purposes of MiFID II.

Indication of Yield

Based upon a re-offer price of 100 per cent. of the principal amount of the Notes, the yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date, is 9 per cent. per annum on an annual basis. The yield is calculated at the Issue Date and is not an indication of future yield.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2199260576, the Common Code is 219926057 and the CFI and FISN can be sourced from the ANNA or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

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, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2019, save for the impact of the Covid-19 as described in the section titled "*Financial and risk information since the last published accounts*" on pages 94 to 99 (inclusive) of these Listing Particulars.

Save for the ongoing and potential further impact of Covid-19, as described in the section titled "*Financial and risk information since the last published accounts*" on pages 94 to 99 (inclusive) of these Listing Particulars, and as disclosed in the risk factor titled "*The Group's business and financial performance have been and will continue to be affected by the current global Covid-19 pandemic, which could have a detrimental impact on its earnings and profitability*", there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2019.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware in the 12 months preceding the date of these Listing Particulars which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The financial statements of the Issuer for the financial periods ended 31 December 2018 and 31 December 2019 have been audited in accordance with IFRS and have been reported on without qualification by KPMG LLP.

KPMG LLP (member of the Institute of Chartered Accountants in England and Wales) is the auditor appointed by the Issuer for the purposes of auditing its financial statements.

Listing agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Securities and is not itself seeking admission of the Securities to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.

Documents available

Physical copies of the following documents will be available for as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market of Euronext Dublin at the registered office of the Issuer, Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

(a) the Agency Agreement and the Trust Deed (which includes the form of the Global Certificate);

(b) the Memorandum and Articles of Association of the Issuer;

(c) the published audited accounts of the Issuer for the financial periods ended 31 December 2018 and 31 December 2019; and

(e) a copy of these Listing Particulars together with any supplement to these Listing Particulars or further Listing Particulars.

In addition, these Listing Particulars will be published on the website of Euronext Dublin (www.ise.ie).

Conflicts of Interest

The Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for those transactions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Where the Joint Lead Managers or their respective affiliates have a lending relationship with the Issuer and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, the Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their respective 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.

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