

UK MiFIR product governance / Professional investors, ECPs and Existing PIBS Holders target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the PIBS has led to the conclusion that: (i) the target market for the PIBS is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (“**UK MiFIR**”) and existing holders of the PIBS (as defined below) (“**Existing PIBS Holders**”); and (ii) all channels for distribution to eligible counterparties, professional clients and existing PIBS Holders are appropriate. The target market assessment indicates that the PIBS are incompatible with the needs, characteristic and objectives of retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA, who are not existing PIBS Holders. Any person subsequently offering, selling or recommending the PIBS (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the PIBS (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under COBS, as applicable. For the avoidance of doubt, the above disclaimer is for information purposes only, and does not form part of the Special Conditions of Issue of the PIBS.

SPECIAL CONDITIONS OF ISSUE OF THE PIBS

The following are the special conditions of the issue of the PIBS as varied in accordance with resolutions passed by the holders of the PIBS at a Meeting held on 7 July 2021. The following, which supersedes and replaces the original special conditions of issue of the PIBS with effect from 7 July 2021, will be deemed to be incorporated by reference in, and form part of, each PIBS Certificate issued on or after 7 July 2021:

The PIBS (as defined below) are issued subject to, and with the benefit of, these special conditions of issue (the “Conditions”).

1. General

- (1) The “Society” means Nationwide Building Society.
- (2) “PIBS” means the Floating Rate Permanent Interest Bearing Shares of the Society and, unless the context otherwise requires, includes any further deferred shares issued pursuant to Condition 9 and forming a single series with the PIBS.
- (3) Terms defined in the Rules of the Society (the “Rules”) will, unless the context otherwise requires, have the same meanings when used in these Conditions.
- (4) PIBS holders are bound by, and are deemed to have notice of, the Rules.
- (5) **The PIBS:**
 - (a) **are deferred shares for the purposes of the Building Societies Act 1986 (the “Act”);**
 - (b) **are not protected investments for the purposes of payments out of the Building Societies Investor Protection Fund provided for under the Act;**
 - (c) **are not withdrawable; and**
 - (d) **are deferred shares for the purposes of the Rules.**
- (6) The expressions “Creditors” and “Relevant Supervisory Consent” shall have the meanings given thereto in Conditions 4(2) and 4(4) respectively.
- (7) Upon a transfer of a PIBS the Society will procure that the new PIBS holder is issued with a PIBS Certificate within one month after the lodgement of the instrument of transfer.

2. Form and Denomination

The PIBS are in registered form and are available and transferable in accordance with the Rules in amounts and integral multiples of £1,000. A transfer of a PIBS may be effected in any usual form or in any other form approved by the Board. The Board may decline to register a transfer of any PIBS to more than four persons jointly.

3. Interest

- (1) This Condition 3(1) shall apply to interest payable on the PIBS on each Interest Payment Date up to (and including) the Interest Payment Date falling in September 2021. Thereafter, interest payable on the PIBS will be determined in accordance with Condition 3(2).

(a) Interest Payment Dates

The PIBS bear interest from and including 28th March, 1994 (the “Issue Date”), and such interest will be payable in arrear on each date (“Interest Payment Date”) which (save as mentioned below) falls six months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date. If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event (a) the Interest Payment Date shall be brought forward to the immediately preceding Business Day and (b) after the foregoing (a) shall have been applied, each subsequent Interest Payment Date shall be the last Business Day of the sixth month after the month in which the preceding Interest Payment Date shall have fallen. The period from and including the Issue Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an “Interest Period”.

For the purposes of this Condition, the expression “Business Day” shall mean a day on which commercial banks and foreign exchange markets settle payments in London.

(b) *Rate of Interest*

The rate of interest payable from time to time in respect of the PIBS (the "Rate of Interest") will be determined on the basis of the following provisions:

- (i) on each "Interest Determination Date", namely on the first Business Day of the Interest Period for which the rate will apply, Bankers Trust Company or its duly appointed successor (the "Agent Bank") will determine the Screen Rate (as defined below) as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. If the Screen Rate is unavailable, the Agent Bank will, after consultation with the Society, request the principal London office of at least four of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for six month sterling deposits in the London interbank market as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin (as defined below) or, if the Screen Rate is unavailable, the arithmetic average (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the offered quotations as established by the Agent Bank (excluding the highest and lowest (or, in either case, of more than one, then one only of them) of the offered quotations provided by all the Reference Banks) plus the Margin;
- (ii) if on any Interest Determination Date the Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (i) on the basis of the offered quotations of those Reference Banks providing the offered quotations (but without excluding as provided above);
- (iii) if on any Interest Determination Date the Screen Rate is unavailable and one only or none of the Reference Banks provides an offered quotation, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for that Interest Period to which sub-paragraph (i) or (ii) shall have applied which last preceded the relevant Interest Period;
- (iv) the Margin (the "Margin") in relation to the PIBS is 2.40 per cent. per annum;
- (v) in this Condition, the expression "Screen Rate" means the rate for six month sterling deposits displayed on the Dow Jones/Telerate Monitor as Telerate Page No. 3750 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Society ("Telerate Page 3750");
- (vi) for the purpose of this Condition, the "Reference Banks" shall be the banks used for the purpose of displaying offered rates for six month sterling deposits in the London interbank market on Telerate Page 3750 when it was last available; and
- (vii) interest on the PIBS is non-cumulative as described below.

(c) *Determination of Rate of Interest and Interest Amount*

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the second Business Day thereafter, determine the sterling amount payable in respect of interest on each PIBS (the "Interest Amount") for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to £1,000, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 or (in the case of an Interest Period ending in a leap year) 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

(d) *Notification of Rate of Interest and Interest Amount*

The Agent Bank shall cause notice of the Rate of Interest and the Interest Amount for each Interest Period and the relative Interest Payment Date to be given to the PIBS holders by advertisement in at least one leading daily newspaper with general circulation in London as soon as possible after their determination but in no event later than the third Business Day thereafter. It is expected that such notice will normally be published in The Financial Times. The Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

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

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

(f) *Agent Bank*

The Society will procure that so long as any of the PIBS remains outstanding there shall at all times be an Agent Bank for the purposes of the PIBS. Subject as set out above, the Society may terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or the Agent Bank failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Society shall appoint the London office of such other leading bank engaged in the London interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

- (2) This Condition 3(2) shall apply to the determination of interest on the PIBS for all Interest Periods commencing on or after the Interest Payment Date falling in September 2021.

(a) *Interest Payment Dates, etc.*

The PIBS bear interest from and including the Interest Payment Date falling in September 2021 as provided in this Condition 3(2). Such

interest will be payable in arrear on each Interest Payment Date (as defined in Condition 3(1)) commencing on the Interest Payment Date falling in March 2022.

As used in this Condition 3(2):

(i) an “Interest Period” means each of:

- (1) each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date; and
- (2) any other period (if any) in respect of which interest is required to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due; and

(ii) “Business Day” has the meaning given in Condition 3(1).

(b) *Rate of Interest*

(i) The rate of interest payable from time to time in respect of the PIBS (the “Rate of Interest”) will, subject to Condition 3(5) and as provided below, be determined by the Calculation Agent as the sum of:

- (1) the Compounded Daily SONIA Rate for the relevant Interest Period; plus
- (2) the Margin; plus
- (3) the SONIA Adjustment Margin; plus
- (4) the Additional Margin.

(ii) As used in this Condition 3(2):

“Additional Margin” means 1.50 per cent. per annum;

“Compounded Daily SONIA Rate” has the meaning given in Condition 3(2)(c);

“Margin” means 2.40 per cent. per annum; and

“SONIA Adjustment Margin” means 0.2766 per cent. per annum.

(iii) Interest on the PIBS is non-cumulative as described below.

(c) *Compounded Daily SONIA Rate*

(i) The “Compounded Daily SONIA Rate” means, with respect to an Interest Period (and subject as provided in Condition 3(2)(c)(ii) below), the rate of return of a daily compound interest investment (with the daily sterling overnight reference rate as reference rate for the calculation of interest) (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent by reference to the screen rate or index for compounded daily Sterling Overnight Index Average (“SONIA”) rates administered by the administrator of the SONIA reference rate that is published or displayed by such administrator or other information service from time to time on the relevant SONIA Determination Date (the “SONIA Compounded Index”) and in accordance with the following formula:

$$\text{Compounded Daily SONIA Rate} = \left(\frac{\text{SONIA Compounded Index}_{\text{End}}}{\text{SONIA Compounded Index}_{\text{Start}}} - 1 \right) \times \frac{365}{d}$$

where:

“d” is the number of calendar days from (and including) the day in relation to which SONIA Compounded Index_{Start} is determined to (but excluding) the day in relation to which SONIA Compounded Index_{End} is determined;

“SONIA Compounded Index_{Start}” means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling five Business Days prior to the first day of such Interest Period;

“SONIA Compounded Index_{End}” means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling five Business Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period); and

“SONIA Determination Date” means the day falling five Business Days prior to (A) the relevant Interest Payment Date, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period).

(ii) Subject to Condition 3(5), if, for any Interest Period, a calculation is required to be made pursuant to Condition 3(2)(c)(i) above but the SONIA Compounded Index is not published or made available in respect of any required Business Day, the Compounded Daily SONIA Rate for such Interest Period shall be calculated by the Calculation Agent as being equal to “Compounded Daily SONIA” for such Interest Period, determined as follows.

“Compounded Daily SONIA” means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant SONIA Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

“d”	is the number of calendar days in the relevant Observation Period;
“d _o ”	means the number of Business Days in the relevant Observation Period;
“j”	is a series of whole numbers from one to “d _o ”, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Observation Period;
“n _i ”	for any Business Day “i”, means the number of calendar days from (and including) such Business Day “i” up to (but excluding) the following Business Day;
“Observation Period”	means the period from (and including) the date falling five Business Days prior to the first day of the relevant Interest Period to (but excluding) the date falling five Business Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);
“Screen Page”	means Bloomberg page SONIO/N Index;
“SONIA Determination Date”	means the day falling five Business Days prior to (A) the relevant Interest Payment Date, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);
the “SONIA reference rate”	in respect of any Business Day (“BD _x ”), is a reference rate equal to the daily Sterling Overnight Index Average (“SONIA”) rate for such BD _x as provided by the administrator of SONIA to authorised distributors and as then published on the Screen Page (or, if the Screen Page is unavailable, as otherwise published by such authorised distributors) on the Business Day immediately following BD _x ; and
“SONIA _i ”	means the SONIA reference rate for the relevant Business Day “i”.

If, subject to Condition 3(5), in respect of any Business Day on which an applicable SONIA reference rate is required to be determined pursuant to this Condition 3(2)(c)(ii), such SONIA reference rate is not made available on the Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA reference rate in respect of such Business Day shall be the rate determined by the Calculation Agent as:

- I. the sum of (i) the Bank of England’s Bank Rate (the “Bank Rate”) prevailing at 5.00 p.m. (London time) (or, if earlier, close of business) on such Business Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five Business Days in respect of which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
- II. if the Bank Rate under (I)(i) above is not available at the relevant time, either (A) the SONIA reference rate published on the Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day in respect of which the SONIA reference rate was published on the Screen Page (or otherwise published by the relevant authorised distributors) or (B) if this is more recent than (A) above, the latest rate determined under (I) above,

and, in each case, references to “SONIA reference rate” in this Condition 3(2)(c)(ii) shall be construed accordingly.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 3(2)(c)(ii), and without prejudice to Condition 3(5), the Rate of Interest shall be:

- (A) that determined as at the last preceding SONIA Determination Date on which the Rate of Interest was so determined; or
- (B) if there is no such preceding SONIA Determination Date, the Rate of Interest determined as at the last Interest Determination Date under Condition 3(1) plus the Additional Margin,

in each case as determined by the Calculation Agent.

- (iii) If the PIBS become due and payable in accordance with Condition 4(2), the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the relevant order is made or the effective resolution is passed for the winding up or dissolution (as applicable) of the Society and shall continue to apply to the PIBS for so long as interest continues to accrue thereon.
- (iv) The "Calculation Agent" means a bank or other institution of recognised standing and appropriate expertise appointed by the Society to perform the functions of the Calculation Agent under these Conditions (including any successor or replacement calculation agent appointed by the Society from time to time).

(d) *Determination of Rate of Interest and Interest Amount*

The Calculation Agent shall, as soon as practicable on each SONIA Determination Date, determine the Rate of Interest and the Interest Amount for the relevant Interest Period. For these purposes, "Interest Amount" has the meaning given in Condition 3(1) (c), and shall be determined in the same manner as provided therein (but applying the applicable Rate of Interest determined in accordance with this Condition 3(2)).

(e) *Notification of Rate of Interest and Interest Amount*

- (i) The Calculation Agent or the Society shall cause notice of the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be made available to the PIBS holders by (at the Society's option) publication on the Society's website or via the regulatory news service of the London Stock Exchange (or any successor or replacement service) or by advertisement in at least one leading daily newspaper with general circulation in London (expected to be The Financial Times), in any case as soon as possible after their determination but in no event later than the third Business Day thereafter.
- (ii) The Rate of Interest, Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Society, the Calculation Agent and the PIBS holders and (in the absence as referred to above) no liability to the Society or the PIBS holders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(g) *Calculation Agent*

The Society will procure that, for so long as any of the PIBS remains outstanding there shall at all times be a Calculation Agent for the purposes of the PIBS. Subject as set out above, the Society may terminate the appointment of the Calculation Agent. In the event of the appointed Calculation Agent being unable or unwilling to continue to act as the Calculation Agent or the Calculation Agent failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Society shall appoint another bank or other institution of recognised standing and appropriate expertise to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

(3) Interest in respect of the PIBS shall not be paid or credited in respect of any Interest Period if the Society has at any time before the date for payment of the interest cancelled the payment of any interest or dividend upon:

- (a) any other shares of any class (other than deferred shares (as defined in the Act)) of the Society; or
- (b) any deposit (as defined in the Act) with the Society,

which falls, in accordance with the terms of the share or deposit, to be paid or credited at any time before the end of the relevant Interest Period.

For the purposes of this paragraph (3):

- (i) where the Society has deferred or suspended any payment upon the shares or deposits referred to in (a) or (b) respectively above it shall be taken to have cancelled the payment for so long as the payment upon the shares or deposits referred to in (a) or (b) respectively above remains outstanding; and
- (ii) a payment upon the shares or deposits referred to in (a) or (b) respectively above is to be taken to fall to be paid or credited in circumstances where it would have so fallen but for any provisions relating thereto entitling the Society to cancel, defer or suspend payment.

If, and to the extent that, the payment or crediting of interest is prohibited under this paragraph (3), interest in respect of the PIBS will be cancelled and PIBS holders will have no rights in respect of the cancelled interest.

(4) Interest in respect of the PIBS shall not be paid or credited for any Interest Period specified by the Board, if the Board is of the opinion that:

- (a) there has been a failure by the Society to satisfy the first criterion of prudent management set out in section 45(3) of the Act and such failure is then continuing; or
- (b) the payment or crediting of the interest or, as the case may be, the payment or crediting in full of the interest would cause or contribute to such a failure by the Society,

and in such case the Board passes a resolution cancelling or, as the case may require, reducing the interest to such extent as may be necessary to secure that there will be no failure to satisfy the first criterion of prudent management and on the passing of the resolution the PIBS holder shall cease to have any right to the interest for that period so cancelled or, as the case may be, any interest other than the reduced amount payable in accordance with that resolution.

(5) If the Society determines that a Benchmark Event occurs in relation to the SONIA Compounded Index or any subsequent Relevant Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Relevant Reference Rate, then the following provisions of this Condition 3(5) shall apply.

(a) *Independent Adviser*

The Society shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Society determining a Successor Rate, failing which an Alternative Rate, and (in either case) the applicable Adjustment Spread and any Benchmark Amendments, all as set out below.

If, notwithstanding the Society's reasonable endeavours, the Society is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Society shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Society pursuant to this Condition 3(5), notwithstanding that such determinations are not made following consultation with an Independent Adviser.

If, upon applying the provisions of this Condition 3(5), neither an Independent Adviser nor the Society is able to determine a Successor Rate or an Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments in accordance with this Condition 3(5), the Society will notify the Calculation Agent and the PIBS holders of that fact, and thereafter will periodically (at least once every 12 months) attempt to determine the same by further application of this Condition 3(5) until a successful determination has been made and notified to the Calculation Agent and the PIBS holders.

(b) *Successor Rate or Alternative Rate*

If the Society, following consultation with the Independent Adviser (if appointed), determines in good faith that:

- (A) there is a Successor Rate, then such Successor Rate shall (as adjusted by the applicable Adjustment Spread) subsequently be used in place of the Relevant Reference Rate to determine the relevant Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the PIBS (subject to the further operation of this Condition 3(5)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (as adjusted by the applicable Adjustment Spread) subsequently be used in place of the Relevant Reference Rate to determine the relevant Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the PIBS (subject to the further operation of this Condition 3(5)).

(c) *Adjustment Spread*

If a Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, the Society, following consultation with the Independent Adviser (if appointed), will determine in good faith the Adjustment Spread to be applied to such Successor Rate or Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(d) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 3(5) and the Society, following consultation with the Independent Adviser (if appointed), determines in good faith:

- (A) that amendments to the Conditions are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the "Benchmark Amendments"); and
- (B) the terms of the Benchmark Amendments,

then the Society shall be entitled, without any requirement for the consent or approval of PIBS holders, to vary the Conditions to give effect to such Benchmark Amendments.

(e) *Notices*

The Society shall notify the Calculation Agent and, in accordance with Condition 3(2)(e), the PIBS holders, promptly of any Successor Rate or Alternative Rate (as applicable) and the relevant Adjustment Spread, and the specific terms of any Benchmark Amendments, determined under this Condition 3(5). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(f) *Survival of Relevant Reference Rate*

The Relevant Reference Rate will continue to apply until notice has been given to the Calculation Agent and the PIBS holders in accordance with Condition 3(5)(e).

(g) *Restriction on Independent Adviser and Society liability*

An Independent Adviser appointed pursuant to this Condition 3(5) shall act in good faith.

In the absence of bad faith or fraud, neither the Society nor any Independent Adviser shall have any liability whatsoever to the Calculation Agent or the PIBS holders for any determination made by the Society or the Independent Adviser or (in the case of the Independent Adviser) for any advice given to the Society in connection with any determination made by the Society pursuant to this Condition 3(5).

(h) *Regulatory capital*

Notwithstanding any other provision of this Condition 3(5), the Society shall not be required to adopt any Successor Rate, Alternative Rate or Adjustment Spread, nor to effect any Benchmark Amendments, if and to the extent that, in the determination of the Society, the same could reasonably be expected to prejudice the qualification of the PIBS as own funds and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of any prudential, capital adequacy, loss absorption capacity or resolution laws, regulations, guidelines or requirements or policies of any relevant supervisory authority (having authority with respect to prudential or resolution matters concerning the Society) then in effect and applicable to the Society.

In such event, the Society shall be entitled to apply the provisions of this Condition 3(5) with such further adjustments as it considers necessary to avoid the consequences described above, provided that the Society, acting in good faith and in a commercial reasonable manner, has determined that so doing shall not be materially less favourable to PIBS holders than failing to apply the provisions of this Condition 3(5) at all.

(i) *Definitions*

As used in this Condition 3(5):

“Adjustment Spread” means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which is to be applied to the Successor Rate or the Alternative Rate (as the case may be), being the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Relevant Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (B) in the case of an Alternative Rate (or in the case of a Successor Rate where (A) above does not apply), the Society, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines is in customary market usage (or reflects an industry-accepted rate, formula or methodology) in the international debt capital market for transactions which reference the Relevant Reference Rate, where such rate has been replaced by the Alternative Rate (or, as the case may be, the Successor Rate); or
- (C) if no such recommendation or option has been made (or made available) under (A) above and if the Society, following consultation with the Independent Adviser (if appointed), determines there is no such spread, formula or methodology in customary market usage or which is industry-accepted under (B) above, the Society, in its discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (C), of reducing or eliminating any economic prejudice or benefit (as the case may be) to the PIBS holders;

“Alternative Rate” means an alternative benchmark or screen rate which the Society, following consultation with the Independent Adviser (if appointed), determines in accordance with this Condition 3(5) has replaced the Relevant Reference Rate in customary market usage, or is an industry-accepted rate, in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for an interest period of approximately six months and in sterling;

“Benchmark Event” means, with respect to the Relevant Reference Rate, any one or more of the following:

- (A) the Relevant Reference Rate ceasing to exist or to be published or administered on a permanent or indefinite basis;
- (B) the making of a public statement by the administrator of the Relevant Reference Rate that it has ceased or will cease to publish the Relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Relevant Reference Rate);
- (C) the making of a public statement by the supervisor of the administrator of the Relevant Reference Rate that the Relevant Reference Rate has been or will be permanently or indefinitely discontinued;
- (D) the making of a public statement by the supervisor of the administrator of the Relevant Reference Rate that the Relevant Reference Rate will be prohibited from being used, is no longer (or will no longer be) representative of its underlying market or that its use will be subject to restrictions or adverse consequences, in each case in circumstances where the same shall be applicable to the PIBS; or
- (E) it has or will prior to the next relevant date for determining a Rate of Interest become unlawful for the Society or the Calculation Agent to calculate any payments due to be made to any PIBS holder using the Relevant Reference Rate (including, if applicable but without limitation, under the Benchmarks Regulation (EU) 2016/1011 as it applies in the European Union or as retained or superseded in English domestic law),

provided that in the case of paragraphs (B) to (D) above, the Benchmark Event shall occur on:

- (i) in the case of (B) above, the date of the cessation of the publication of the Relevant Reference Rate;
- (ii) in the case of (C) above, the discontinuation of the Relevant Reference Rate; or
- (iii) in the case of (D) above, the date on which the Relevant Reference Rate is prohibited from use, is deemed no longer to be representative or becomes subject to restrictions or adverse consequences (as applicable),

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (i), (ii) or (iii) above, as applicable);

“Independent Adviser” means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Society at its own expense;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof;

“Relevant Reference Rate” means the SONIA Compounded Index or, if that reference rate has already been replaced as a result of any prior operation of this Condition 3(5) (on any one or more occasions), the Successor Rate or Alternative Rate then applicable to determining Rates of Interest; and

“Successor Rate” means a successor to or replacement of the Relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

4. Repayment

- (1) The PIBS constitute permanent non-withdrawable deferred shares in the Society and have no specified final maturity.
- (2) The PIBS will become repayable on the date that an order is made or an effective resolution is passed for the winding up or, otherwise than by virtue of section 93(5), section 94(10), section 97(9) or section 97(10) of the Act, dissolution of the Society but only if and subject to the condition that all sums due from the Society to Creditors claiming in the winding up or dissolution have been paid in full.

For the purposes of these Conditions, “Creditors” means all creditors (including all subordinated creditors) of the Society and members holding shares (other than deferred shares) as regards the principal and interest due in respect of those shares.

- (3) The claims of PIBS holders in a winding up or dissolution of the Society will be for the principal amount of their PIBS together, subject to Condition 3, with interest accrued to but excluding the date of repayment after all sums due from the Society to Creditors have been paid in full. PIBS holders will not be entitled to any share in any final surplus upon a winding up or dissolution of the Society.
- (4) The Society may, having obtained prior Relevant Supervisory Consent and, for so long as the PIBS are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the “London Stock Exchange”), subject to and in accordance with the requirements from time to time of the London Stock Exchange, purchase any PIBS. In the case of purchase by tender, tenders shall be made available to all PIBS holders alike. Any PIBS purchased by the Society may be held or resold or cancelled.

For the purposes of these Conditions, “Relevant Supervisory Consent” means, in relation to any action, such permission or waiver of the relevant Supervisory Authority as is then required for such action under prevailing Prudential Rules.

- (5) All PIBS repaid by the Society as aforesaid shall be cancelled forthwith and such PIBS may not be reissued or resold.
 - (6) (i) The Society may, in its sole discretion and subject to compliance with Condition 4(7), upon giving the PIBS holders not less than 15 nor more than 60 days’ notice, redeem all (but not some only) of the PIBS then outstanding on the Interest Payment Date falling in September 2030 or any Interest Payment Date thereafter, at a redemption price equal to the nominal amount of such PIBS together, subject to Condition 3, with accrued and unpaid interest on the PIBS up to (but excluding) the due date for redemption.
 - (ii) The notice under Condition 4(6)(i) above shall specify the date for redemption, and shall be given to the PIBS holders by (at the Society’s option) post to the registered address of the PIBS holders (or their representative joint holders) appearing on the PIBS Register at close of business on the London business day immediately preceding the date of the notice, or by publication via the regulatory news service of the London Stock Exchange (or any successor or replacement service) or by advertisement in at least one leading daily newspaper with general circulation in London (expected to be The Financial Times).
 - (iii) Any notice given under Condition 4(6)(i) shall be irrevocable, and the Society shall be bound to redeem the PIBS on the due date for redemption specified in such notice. Once redeemed, the PIBS will be cancelled and may not be reissued or resold.
- (7) The redemption of the PIBS in accordance with Condition 4(6) is subject to:
 - (a) the Society having obtained Relevant Supervisory Consent therefor; and
 - (b) the Society having demonstrated to the satisfaction of the relevant Supervisory Authority that either:
 - (1) the Society has (or before or at the same time as the redemption will have) replaced the PIBS with own funds instruments of equal or higher quality on terms that are sustainable for the income capacity of the Society; or
 - (2) the own funds and eligible liabilities of the Society would, following such redemption or purchase, exceed its minimum requirements (including any buffer requirements) by a margin that the relevant Supervisory Authority considers necessary at such time,

provided that, notwithstanding the foregoing, if, at the time of the redemption, the prevailing Prudential Rules permit redemption of the PIBS only after compliance with one or more additional or alternative preconditions to those set out above in this Condition 4(7), the Society shall comply (in addition or in the alternative, as the case may be) with such additional and/or alternative precondition(s). As used in these Conditions:

“Prudential Rules” means, at any time, the law, regulations, requirements, guidelines and policies then in effect relating to capital adequacy, prudential supervision, loss absorbing capacity and resolution and applicable to the Society; and

“Supervisory Authority” means, from time to time, the Prudential Regulation Authority or such other authority then having primary supervisory authority and/or responsibility with respect to prudential or resolution matters concerning the Society and/or its group, as may be relevant in the context.

5. Payments

All payments in respect of the PIBS will be made either by sterling cheque drawn on a bank or building society in the United Kingdom and posted on the day (other than a Saturday or a Sunday) on which banks are open for business in England immediately preceding the relevant due date, and made payable, to the PIBS holder or to the Representative Joint Holder appearing in the records of the Society at the close of business on the fifteenth day before the relevant due date (the “Record Date”) at his address shown in the records of the Society on the Record Date or to an agent authorised by the PIBS holder or all joint PIBS holders to receive payments on his or their behalf in accordance with the Rules. Upon application of the PIBS holder or the Representative Joint Holder to the Society, in the form from time to time prescribed by the Society, not less than 10 days before the due date for any payment in respect of a PIBS, the payment may be made by transfer on the due date to a sterling account maintained by the payee with a bank or building society in the United Kingdom.

6. Succession and Transfers

- (1) Upon an amalgamation by the Society with another building society under section 93 of and Schedule 16 to the Act or a transfer of its engagements to any extent to another building society under section 94 of and Schedule 16 to the Act, the PIBS shall be deferred shares in the amalgamated or transferee building society, as appropriate, without any alteration in their terms.
- (2) Upon a transfer by the Society of the whole of its business to a successor in accordance with section 97 of the Act, the successor will, in accordance with section 100(2)(a) of the Act, assume as from the vesting date a liability (subject to this paragraph (2)) to every qualifying member of the Society as in respect of a deposit made with the successor corresponding in amount to the value of the qualifying shares held by the Member in the Society.

The liability assumed by the successor in respect of each PIBS shall be as in respect of a non-transferable subordinated deposit carrying the same rate of interest as the PIBS (each a “Deposit”).

Each Deposit will be applied on behalf of the holder in the subscription of a principal amount of perpetual subordinated bonds of the successor equivalent to the principal amount of the Deposit carrying the same rate of interest as the PIBS (the “Bonds”).

In the case of a transfer by the Society of the whole of its business to a company which is an existing company (as defined in the Act), the application of each Deposit will occur on the vesting date (or as soon as reasonably practicable thereafter). In the case of a transfer by the Society of the whole of its business to a company which is a specially formed company (as defined in the Act), the application of each Deposit will occur either automatically on the date occurring five years after the vesting date (or as soon as reasonably practicable thereafter) or earlier subject to such conditions as the board of directors of the successor may require, including the receipt of a certificate in such form as they may reasonably require from the holder of any Deposit, that the effect of the allotment of the Bonds would not be that more than the permitted proportion (as defined in section 101 of the Act) of the total indebtedness of the successor on its debentures would be held by, or by nominees for, the holder of each Deposit. The form of the certificate required will be sent to holders of PIBS prior to the vesting date.

The terms of each Deposit and the terms and conditions of the Bonds will be such as to secure in the opinion of the Board that they will be:

- (a) treated as capital designated perpetual subordinated debt (as referred to in the Bank of England Notice to institutions authorised under the Banking Act 1987 BSD/1990/2 of December 1990 as replaced, amended or supplemented from time to time) or its equivalent as determined by the auditors of the Society for the purposes of capital adequacy regulations made from time to time by the Bank of England; and
- (b) subordinated debt (as defined in the Building Societies (Designated Capital Resources) (Permanent Interest Bearing Shares) Order 1991).

The terms of the Deposits and the terms and conditions of the Bonds will, not later than the time at which notice is given to members of resolutions to be proposed to approve such transfer, be available for inspection by PIBS holders at the Society’s Principal Office and, subject as provided above, will be determined by the Board in its absolute discretion.

- (3) The Society undertakes to procure that any amalgamation or transfer referred to in paragraph (1) or (2) above will comply with the provisions of paragraph (1) or, as the case may be, (2) above.

7. Variations of these Conditions

- (1) These Conditions may only be varied by the Society with the consent in writing of the holders of three-quarters in principal amount of the PIBS for the time being outstanding, or with the sanction of a resolution passed at a separate meeting of the PIBS holders held in accordance with Condition 8 by a majority of three-quarters in principal amount of such holders voting in person or by proxy at such meeting.
- (2) The Society undertakes not to initiate any change to the Rules that is both (a) inconsistent with the provision of these Conditions and (b) materially prejudicial to the interests of the PIBS holders.
- (3) These Conditions do not limit the rights of members to change the Rules.

Any amendment to the Rules that is both (a) inconsistent with the provisions of these Conditions and (b) materially prejudicial to the interests of the PIBS holders, shall not limit any rights of PIBS holders to bring an action for breach of contract against the Society in circumstances where the Society is in breach of these Conditions nor afford the Society any defence to any claim made in any such action.

8. Meetings of PIBS Holders

- (1) The Society alone may at any time convene a separate meeting of the PIBS holders. Every meeting shall be held at such place as the Society may approve.
- (2) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the PIBS holders on the PIBS Register 35 days prior to the date specified for the meeting by sending it by post to the registered address of the PIBS holder or the representative joint holder. The notice shall state generally the nature of the business to be transacted at the meeting and the terms of any resolution to be proposed to alter these Conditions.
- (3) Any person (who may but need not be a PIBS holder) nominated in writing by the Society shall be entitled to take the chair at every meeting but if no nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting the PIBS holders present shall choose one of their number to be chairman.
- (4) At any meeting one or more persons present in person or by proxy and holding or representing in aggregate not less than one-third of the principal amount of the PIBS for the time being outstanding shall form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. Every question submitted to the meeting (other than the choosing of a chairman which will be decided by a simple majority) shall be decided by a poll by one or more persons present and holding PIBS or being proxies and representing in aggregate three-quarters of the principal amount of the PIBS represented at such meeting voting in favour of such question.
- (5) If within 15 minutes after the time appointed for any meeting a quorum is not present, the meeting shall stand adjourned for such period, being not less than 14 days nor more than 42 days, and at such place as may be appointed by the chairman and if at the adjourned meeting a quorum shall not be present within half an hour from the time appointed for the adjourned meeting, the PIBS holders present in person or by proxy at the adjourned meeting shall be a quorum.
- (6) Notice of any adjourned meeting shall be given in the same manner as notice of an initial meeting but as if 10 were substituted for 21 in paragraph (2).
- (7) A poll shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting.
- (8) The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully (but for the lack of the required quorum) have been transacted at the meeting from which the adjournment took place.
- (9) Any director or officer of the Society and its professional advisers may attend and speak at any meeting. Save as provided above no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the PIBS holders unless he is a PIBS holder or the representative joint holder or is a proxy thereof.
- (10) Subject as provided in paragraph (9), at any meeting every person who is present shall have one vote in respect of each £1,000 in principal amount of the PIBS so held or in respect of which he is a proxy.

Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (11) A PIBS holder may by an instrument in writing in the form from time to time obtainable from the Society (a "form of proxy") signed by the PIBS holder, or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "proxy") to act on his or its behalf in connection with any meeting or adjourned meeting of the PIBS holders. The proxies named in any form of proxy need not be PIBS holders.
- (12) The form of proxy and (if required by the Board) any authority under which it is executed or a copy of the authority, certified notari-ally or in some other manner approved by the Board, may be delivered to the Society at its Principal Office (or to such other place in the United Kingdom as may be specified in the notice convening the separate meeting or in any notice of any adjourned such meeting or, in either case, in any accompanying document) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll, and a form of proxy which is not so delivered shall be invalid. Any vote given in accordance with the terms of a proxy shall be valid notwithstanding the previous revocation or amendment of the form of proxy or of any of the PIBS holder's instructions in respect thereof, provided that no intimation in writing of the revocation or amendment shall have been received by the Society at its Principal Office at any time prior to 24 hours before the time appointed for holding the meeting or adjourned meeting at which the form of proxy is used.

- (13) Any resolution passed at a meeting of the PIBS holders duly convened and held hereunder shall be binding upon all the PIBS holders whether or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justifying the passing of the resolution. Notice of any resolution duly passed by the PIBS holders shall be given in writing to each PIBS holder or the representative joint holder by the Society within 14 days of the passing of the resolution, provided that the non-publication of the notice shall not invalidate the resolution.
- (14) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Society and any minutes purporting to be signed by the chairman of the meeting at which the resolutions were passed or proceedings had shall be conclusive evidence of the matters contained in the minutes and until the contrary is proved every meeting in respect of the proceedings of which minutes have been so made and signed shall be deemed to have been duly held and convened and all resolutions passed or proceedings had to have been duly passed or had.
- (15) The accidental omission to send notice of a separate meeting or to send any document required to be sent with the notice or otherwise before the meeting to, or the non-receipt of notice of a separate meeting or any such document as aforesaid by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

9. Further Issues

The Society shall be at liberty from time to time without the consent of the PIBS holders to create and issue further deferred shares either:

- (1) ranking pari passu in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding deferred shares of any series (including the PIBS); or
- (2) upon such other special terms of issue as the Society may at the time of issue determine provided that the Society shall not issue any deferred shares ranking ahead of the PIBS.